

The Way Out

by

Edward A. Filene

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THE WAY OUT

*A Forecast of Coming Changes in
American Business and Industry*

By
Edward A. Filene



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CHAPTER I

ONE MAN'S POINT OF VIEW

I

I DO not know that what I am about to write will ever be printed. I am not sure that I shall ever write the book it might serve to introduce. This afternoon I tentatively promised a publisher-friend that I would try to set down, in more or less orderly fashion, some of the convictions about successful business, sound social advance, and the durable satisfactions of life that I have arrived at in the severe but effective school of experience. But this evening I am having some difficulty in deciding whether I should keep or recall this promise.

I am a shopkeeper, not a writing man, and I should, therefore, be doubly certain of my motives and my material before adding another book to the

already overcrowded shelves. I intend to remain a shopkeeper. I have no intention of turning author in search of royalties and reputation. So I am sitting down to write a sort of introductory chapter now because I want, for my own satisfaction, to understand why I yielded with such uncritical readiness to the suggestion that I write a book.

If vanity prompts me—even that pardonable vanity from which none of us is wholly free—then I am making a mistake in judgment, for even by the law of probabilities whatever success I have had as a shopkeeper is likely to be minimized by my attempting something for which I have had no training—the writing of a book.

I have always thought that a book should be introduced by a careful statement of the physical and mental condition of the author at the time he conceived and composed it. Such a statement, certified by a physician and a psychologist, would give us a really defensible censorship of books—a censorship at their source. It would indicate to authors the books that should not be written, and to readers the books that need not be read.

In the absence of any such custom, I want to

do the next best thing and resort to a method I have long followed in arriving at business decisions.

The first of a series of "rules for successful work" which I formulated many years ago, and which I have found valid in every sort of situation, is "make your plan in writing."

Now, what are my plans for this book I have half-promised to write?

For whom shall I write it?

Why should I take the time from business and other entertaining adventures to write a book?

Has my experience in business and in the various undertakings into which business has led me thrown up any conclusions that will help other and younger business men to start where I leave off, avoiding at least a little of the costly trial-and-error process I have had to follow in the absence of any guiding analysis of the business mind and of business methods?

In short, what were the motives that prompted me to agree so readily to write a book?

Well, I am obliged to confess that I had vaguely felt the urge to write it even before my publisher-friend made his request. Is this urge a valid

reason? What are my real reasons for undertaking now this, to me, new venture?

The first reason is, I think, that I am beginning to feel I shall not be able fully to work out in my lifetime the ideals I have set for myself as a shopkeeper. And yet, strangely enough, I feel more certain of the soundness and practicability of these ideals every year. If I can write them down simply and clearly, perhaps other men will sense their soundness and become convinced of their practicability. At least, I can then have the satisfaction of knowing that these ideals have passed on into younger brains and younger bodies with a whole new lifetime for their fuller realization.

Then again, life and its problems have become greatly simplified for me through experience. I think I have found real proof of a few things that should bring a genuine inspiration to the younger generation as it faces freshly the challenge of business and of life. I have a hearty aversion for the sickening sentimentality and the still more sickening swagger that so often characterize the counsel of self-made men turned self-appointed advisers to youth. I have in mind no such preach-

ment, but I have found the road to success in business and satisfaction in life to be so clearly a road leading through common-place, everyday work that I think it may be really worth-while to explain that road. It should bring stimulating hope and fresh strength to younger men to learn, not from a preachment but from a simple record, that all the prizes do not go to the super-men and that we are not dependent upon miracles.

II

My first ambition as a boy was to run a candy store. As I grew older I discovered that there was a stomachache in too much candy, so I changed my goal. I ran the entire gamut of boyish ambitions. I dreamed of a military career, of riding into battle astride the proverbial black horse, of the flashing sword, of the dramatic slaughter, of the triumphant return to my home town, of the luxury of hero-worship, and all that. But there came a time when I realized that success in war has an ache in it, too. And with adolescence there came an ambition to become a learned man.

I managed to prepare myself for entrance to Harvard University. This was no easy job, for I

was working in a store until nine o'clock every night. Saturday night was the only night I did not work until nine o'clock. On that night I worked until one o'clock on Sunday morning. And then, just when Harvard was within my grasp, just when I had successfully passed my entrance examinations, my father fell into ill health and I was obliged to assume more and more business responsibility. I had to give up my dream of a university training. How well I remember my disappointment. I thought I should never become a really useful man without this Harvard education.

But I did the next best thing. Instead of starting at the circumference of all knowledge and working in toward my job, as I would have done had I entered the university, I started with my job in the store and found that it, as a cue, led me into the study of almost every field of human interest. Necessity forced me to adopt a method of self-education that I have since learned is one of the basic principles of the new education. Ill-fortune forced me into an anticipation of one of the important findings of the psychology of education. I read now, in current books on education, that it is

a sounder method to begin with things in which the student is already interested and to help him search for their explanation than to begin with general theories in the hope that he will some day relate them to his practical interests. From necessity this is the method I followed.

I had to surrender forever the pleasure and discipline of leisurely study in university halls. I had looked forward with eager interest to the courses I had planned to take in economics, sociology, finance, and the like. It was a great blow to me when I had to turn my back on this prospect. But I soon found that the work in the store plunged me into the midst of all sorts of economic, sociological, and financial problems. I began to study the basic books in all these fields, not as a sheer intellectual adventure, but in order to correct and to amplify the theories I was applying to the problems I faced daily in my business. But this study was not confined to the reading of books at night, on Sundays, and on holidays; it was carried on daily and hourly in the store.

Every problem that arose was a cue for thought, reading, and investigation in banking, merchandising, labour relations, social psychology, and

related fields that touch business. That is to say, as much investigation as a poor boy working for his living had time to make. I found that these investigations were not simply my kind of sport, as another man might play golf, but that they were helping me to see the road I was traveling and were determining the direction and rate of my business progress. Gradually I learned that the attempt to run even a small store intelligently might be made a very good substitute for a college training.

I suspect that I still have a sneaking envy of the man who has even loafed his way through a university, attaining a kind of culture of absorption, but in reality I know that shopkeeping has meant to me a daily post-graduate course covering a wider range of human interests than any course leading to a doctor's degree, a course that daily offers problems the answers to which cannot be found standardized in any book, a course that to-day keeps me studying harder than ever before.

I have no desire to deliver a homily on the silver linings of disappointments, but I think it is worthwhile to underscore by the record of actual experience the fact that any job, however prosaic by the

conventional standards of judgment, is a good enough point of departure for a liberal and useful education.

Despite my early ambition for learning in the scholarly sense, I have to-day a sincere pride in my profession of shopkeeping. I speak of the business of shopkeeping as a profession because I have learned from a lifetime spent in its activities that it requires just as wide and just as sustained study as any of the accredited professions, that its right administration is just as much a public service as medicine or the ministry, and that there is nothing in its pursuit that need narrow or materialize the mind of the man who will answer the challenge of its social implications as well as take advantage of its financial opportunities.

The business of shopkeeping, if I may summarize my experience in a sentence, may be to a man both his university and his profession. The real end of business is not to make money but to render a service to the public. It happens to be a profession in which money can be made in great amounts. In fact, the merchant *must* make money in great amounts if he really renders a great service. In it a man may have all the intellectual adventure and

joy of service that come to the teacher or preacher, without the handicap of starvation wages. It gives a freedom and power, the lack of which so often hampers the "professional" man.

It may be, then, that this book I have promised to write will say a needed word to the thousands of men and women who find the door of the university closed to them by ill-fortune. And it may suggest a new valuation of their jobs to the thousands of men who may secretly resent the fact that the turn of fortune has thrown them into business careers instead of into one of the learned professions or into one of the arts.

III

My publisher-friend has said that he wants me to write a book because I have kept a liberal point of view throughout a struggle for business success, not following the normal course of dropping liberal ideas overboard year by year under the conservatizing influence of business success. He suggests that I have apparently tried to think of business in terms of public welfare as well as private profit, and that I have apparently looked upon my business as a social laboratory as well as a financial adventure.

Now, I should be able to plead guilty to all this without running the risk of being set down as an impractical visionary, in view of the fact that my associates and I have, from a very slender beginning, built a specialty store that is said to be the most successful store of its particular kind in the world. And then, there is a peculiar American weakness for believing that any man who has sold a few more buttons than his competitor and amassed a decent fortune in the process is by that sign a very wise man whose ideas on any subject under the sun are worth reading. I should be able to bank on that weakness also.

But I don't want to run the risk involved in accepting this suggested reputation for idealism. I prefer rather to interpret whatever I have done in terms of an attempt to eliminate the rule-of-thumb and to arrive at a more scientific method of business administration. I think I can truly say that I have always dealt with matters of social justice, coöperation, and general welfare, not on the basis of philanthropy or paternalism, but as essential factors in the development of successful business. It is not straight business thinking, in my judgment, to regard liberal social policies as idealistic

but costly concessions we can afford to grant only after a business has succeeded and piled up a surplus.

We shall never lack for sporadic examples of benevolence and paternalism in business. But the way out does not lie in that direction. No policy is a sound social policy that does not contribute to permanently successful business. The tangled issues of business will never be settled either by benevolence on the part of employers or by usurpation on the part of employees. The solution will be reached when we have found the best and most scientific way of doing business, for the *best* way of doing business will be found to be the most *just* way of doing business. At least, it is to this conviction that a shopkeeping career has led me.

The temptation is so great for business men to swing either to the extreme of a harsh materialism or to the extreme of a sentimental paternalism that any attempt to suggest the sound business reasons for good social policies is amply worth the effort. If I can say any valid and convincing thing on this problem I should keep my promise and write the book.

I should say, in passing, that while I have never

looked upon our business as a social laboratory in a sentimental uplift sense, I have been deeply interested in the development of points of view, principles, and practices that will be applicable, not only within the four walls of our own store, but throughout business and industry. This book that I have promised to write is not, therefore, to be a book on retail merchandising, but simply the record of one man's search for the theory and practice of business that would enable him to succeed financially, to extract the greatest possible personal satisfaction from his career, to help a little toward putting American business and industry upon a sounder and more rational basis, and to make some contribution to the social welfare of his time, thus paying back to society at least a little of what he owes for the opportunities it gave him.

I have always thought that a business should rest upon a principle rather than upon a person. A business man is a failure, although he makes millions of dollars, if he creates a business so dependent upon his personal administration that it disintegrates after his death. Any business that is an asset to the nation rests upon something more permanent than a personal bag of tricks. It

is this fact that lends importance to any search for the principles of permanently successful business.

IV

I have always thought that a good business man had to be something of a prophet. Of course, I do not mean that the business man must be a sooth-sayer, or base his policies upon the advice of an astrologer. I mean that he must cultivate the habit of looking ahead, harden himself in the habit of thinking straight from cause to effect, the habit of thinking impersonally. One of the things that is important in any attempt at business prophecy is to be sure that one has taken into account all of the factors that will determine future conditions. Straight thinking always uncovers many factors of great significance far outside the radius of one's immediate business.

Most of my "public work," the philosophy of which I shall probably discuss later, has come about as a necessary part of my attempt to discover, study, and understand *all* the forces, local, national, and international, that promised to react upon and determine the future business conditions to meet which my associates and I had to formu-

late policies. It is this that makes the business man's duty of prophecy so much more challenging and interesting than the dry mathematical calculation of costs and market fluctuations that it may seem to the outsider.

From my specialty store as a point of departure I have, I am sure, come into touch with more kinds of leaders in more kinds of fields here and abroad than most men of my generation. I have not lacked for variety and fascination of adventure. For many years during my vacations I have made fairly regular "study tours" of Europe and of the Orient in an effort to keep freshly aware of the forces that were dictating world business conditions, without a knowledge of which I could not keep my own business in decent perspective. On these tours I have had at times the pleasure and profit of playing middleman and broker between governments and the opposition, between employers and employees. In my search for facts, I have talked with bankers and barbers, with coachmen and with commercial magnates, with labour leaders and homeless men on park benches, often learning as much from one as from the other.

But I am wandering a bit from my point. I set

out to say that the business man must be something of a prophet, and that the value of his prophecies depend upon his taking into account all of the facts, outside and inside his business, and upon his thinking straight from cause to effect. Convinced that the next ten or twenty years will witness far-reaching changes in the methods and machinery of both production and distribution, I have spent a large part of my vacations and other free time for many years, here and in Europe, studying the various forces, political, social, and industrial, that will compel these coming changes and dictate what they shall be. And I have arrived at a clear conviction of what these coming changes are to be. I feel pretty sure that, in my forecast, I have nowhere confused my desires with the facts, or mistaken a private wish for a public movement, for I have made these "study tours" not as a publicist in search of "good copy" but as a business man on the lookout for factors and forces that will, in the years just ahead, affect my business, its policies and its profits.

If I can get down on paper a clear statement of what seems to me will be the inevitable changes in business and industry during the next ten or twenty

years, I should keep my promise and write the book. For the success or failure of every business man in the United States will depend upon his seeing these changes in advance of their coming, upon his going out to meet them with a wise policy instead of being caught napping when they come.

v

As I try to make a sort of preliminary survey of the material I might find in my experience, I begin to see the relatively untouched field for a book on the business mind. We have not as yet made a real study of the American business mind. The two considerations of the business mind that we have had, so far, have been an uncritical worship of business success on the one hand, and a sniffish, superior, patronizing criticism of the business man by the intellectuals on the other. Perhaps the ground-work for such a study could best be laid by a business man, safely independent, who had reached a point in his career where he could afford to speak frankly and impersonally. Certainly there would be no lack of questions to serve as cues to such a study.

What, for instance, makes a business man usually

more conservative than he needs to be, either for his own interest or for the public's interest?

What is the motive or philosophy that determines the average business man's attitude toward his business, toward his employees, toward his public work, toward his fortune and its disposition both during his life and after his death? What should these attitudes be, if they are to serve the double purpose of making for permanently successful business and of contributing to sane social advance?

Why does the liberal business man sooner or later encounter the opposition of his business associates? How much of this opposition is due to sinister motives on the part of the conservative, and how much to the faulty technique of the liberal?

Why is it so widely assumed that to be reactionary is to be practical, and that to be progressive is to be visionary?

Who causes the more dangerous discontent, the reactionary business man or the radical agitator?

Just how efficient is the reputed efficiency of the American business man? For instance, is a business man to be considered successful simply because he has made several millions of dollars, if he

maintains in his store two persons for every one who sells, and keeps the one who sells busy not more than half the time?

What goes on in the mind of a business man who thinks it is good business to try to influence for private ends the policy of a newspaper or magazine in which he advertises?

Is there any difference between the qualities that make a man a successful business man and the qualities that make a man a valuable public servant? How does the successful business man think and act when he takes part in public movements and serves in the committees of business men's organizations, political parties, and the like?

Why do the virtues of a small business so often become the vices of a large business?

Why do so many business men slow down and become timid routineers in the second half of their careers, just at the time when they should be at the height of their usefulness?

Is it possible to formulate rules for the achievement of success in business?

Why have so many big business men either failed or had the control of their businesses taken away from them during the past few years?

Have some of the qualities that made the great business successes of the past become obsolete? And if so, what are the qualities that will enable the business man of the future to adapt himself to the altered conditions in order to survive and to succeed? Is Napoleonism in business out of date? If so, who will be the patron saint of big business in the future?

As I look back over my experience I can see the raw materials for answers to many questions like these. If I can, by discussing these questions frankly, stimulate a closer study of the business mind, both by business men themselves and by psychologists, I should keep my promise and write the book.

VI

Now, I do not presume to speak as an expert in business. I have always seen so much more to be done than I have been able to do that I have felt hypocritical whenever I have been referred to as a successful business man, for I know the innumerable blunders of judgment and action that I have made. I am sure that I make just as many mistakes to-day as I ever made. There is a difference, however.

In my youth I usually fell backward; now I usually fall forward. At least I think I do. And that makes a difference of two full lengths as to where my head and brains are.

Business success does not, of course, rest upon infallible judgment. It rests rather upon the courage to experiment and the ability to learn from mistakes. No mistakes and no success make a bad record. This is not true, of course, for the pharmacist in compounding medicines, but in a field as lawless and as unscientific as current business practice, experimentation may at any moment throw up one good idea that will pay for a hundred mistakes. In business, experimentation, even taking into account the experiments that do not succeed, is, in the long run, safer than too great caution. The moment a business man ceases to be an experimenter and comes to regard himself as an expert in business theory and practice, he may be sure that dry rot has set in. I do not want to give the impression that I am speaking with the supposed authority of the expert. I never regard any policy as final. I am always hoping that, just around the corner, I shall find some new fact that will compel me to revise my theory and to revolutionize

my business practices. The best I can possibly do is to write a sort of log-book of an experimenter. Every book that deals with a field as changing as business should, I think, close with the statement: This is what the facts seem to me to indicate *to-day*.

VII

Nor do I presume to speak as a scholar in business. I have never been a great reader of books. I certainly do not have the regret of the old pitman who said to Graham Wallas, "It makes me groan to think o' the thousands of hours I've spent i' reading the wrong books." But I do think there has been some compensation for my absence from the library.

If I have any one consuming passion it is to substitute rational analysis, straight thinking from cause to effect, for the rule-of-thumb, the hunches, and the guesswork to which we business men are so likely to trust. I have missed much by not having read more, but it is a fact that one can stock his mind so full of the record of policies that have failed that it gives him a feeling that the field of possible achievement is pretty limited. The man without the scholar's background works under a

very definite handicap, but at least he doesn't know any better than to try anything. And some of the finest enrichment of business policy has come from just such foolhardiness.

I am sure no one will think that I am entering a plea for a cocksure individualism that ignores the results of experience. We ought to stand on the shoulders of the men who have gone before us. Otherwise we waste precious energy and blunder about in a rule-of-thumb-trial-and-error sort of business practice. There are untold possibilities in an alliance between scholarship and business. Such an alliance can give us both a better business and a better scholarship. In this alliance the business man who has faced his problems with a fresh mind, thought them through without preconceived notions, and realized the relation of his business to the larger issues of our political, social, and industrial life will have as much to contribute as the scholar.

His very lack of background knowledge may enable him to face his problems with a more nearly unfettered mind. I hesitate to make this statement, lest it be misunderstood. I certainly do not mean to counsel young business men to a deliberate

avoidance of education. I mean only to suggest that conventional education and wide reading too often tend to take the element of daring out of a man's mind. It is possible to become so sophisticated that the naïve courage to experiment will be lost. This does not mean that education is to be disregarded; it means only that it must be improved to the end that it will make men more interested in doing new things than in simply knowing about old things.

It is unfortunate when the knowledge that the successful business man has gained from experience remains his exclusive possession. It may be effective for him during his lifetime, but in the course of his career he will inevitably warp it and colour it, unless he shares it with the scholar and allows the scholar to help him to formulate it, to throw it against its background, and to put it in its proper perspective, in its proper relation with other bodies of facts. This knowledge that comes from the experience of isolated men, when left in their exclusive possession, gives rise to an autocracy like the autocracy of ancient priests and emperors. The business schools, that we are developing in all our better colleges and universities, can render a

highly valuable service by taking these results of trial-and-error experience, checking them up with the experience of other men, and passing them on to other and younger business men.

VIII

But the thing that gives me greatest hesitancy as I approach the writing of a book is the fact that I cannot discuss some of the deepest convictions I have about business without seeming to preach some things I have not been able fully to practice. This grows out of the fact that in the store of which I am president we have been experimenting with a democratic system of control. No one of us is able to play the czar. We have definitely organized against that possibility. No policy can be permanently adopted until the managers, the directors, and, in some cases, until the mass of the employees, find it acceptable and agree to adopt it. In many instances ideas, of the soundness of which I was convinced from the start, have been adopted only after several years of experimentation with modifications and adaptations. My associates and I have differed and still differ upon many questions of policy and procedure, but we are

organized upon a basis that enables us to adopt new policies only by common agreement. No one of us has the power to make autocratic decisions. Although such democratic organization of business makes for sounder progress in the long run, it makes for slower progress in many instances. The autocratic method is, of course, quicker. Orders can be given, and one is not obliged to wait until the mass of employees have been educated into agreement with a policy or an entire group of associates convinced of its soundness.

This democratic organization of a business means that at any given time many of a man's most firmly held business beliefs may not be in full operation in his business. They may be facing the definite opposition of his associates or his employees, or be in process of modification and adaptation.

In this book, then, I can, in the strictest sense, speak only for myself. I can even imagine some of my associates wishing to write another book to take issue with some of the things I may say. As I have said before, this book shall be simply the record of one man's search for the theory and practice of business that would make for permanently successful business and sound social advance.

IX

Of one thing I am certain: I shall not write an autobiography. Biographies and autobiographies have, I am sure, done no end of harm by keeping alive the myth of the super-man and by encouraging men to depend upon miracles instead of good health, straight thinking, and hard work. Biographers have a weakness for deification. But it is of no earthly use to anybody to learn that a god has done some difficult thing. I am interested only in repeatable performances. Biographies, I fear, stimulate awe more often than they stimulate ambition. And autobiography is not wholly free from this sin, for, as Sir James Barrie said in his now famous rectorial address at St. Andrews University, "we shine forth in our published memoirs practically without a flaw." I don't want to run the risk of distorting my own portrait by attempting an autobiography.

At best I am interested only in suggesting the point of view in business that seems to me essential if the business of the future is to be not only commercially successful but socially sound. Or to speak more accurately, I am interested to suggest

that the business of the future must be socially sound in order to be commercially successful. We are on the eve of far-reaching changes in business and industry that the historian of the future will refer to as the second great industrial revolution, as we now refer to the changes of 1770-1840 as the Industrial Revolution. I should like to report some of the things I have sighted from the bridge of the business ship.

All things considered, I shall write the book.

CHAPTER II

SUCCESSFUL BUSINESS AND SOCIAL PROGRESS

I

I BELIEVE that the modern business system, despised and derided by innumerable reformers, will be both the inspiration and the instrument of the social progress of the future. Such a statement cannot go far without encountering vigorous dispute. The air is filled with voices asserting that the modern business system stands squarely across the path that leads to a decent social order. On all hands there are men who contend that we can assure social progress only by destroying the business system and reorganizing our life upon a communistic or near communistic basis. And multiplied thousands of men and women who are far from being communists indict the modern business system as the tyrant rather than the tool of mankind.

Now, I am under no delusion about the social efficiency of our industrial civilization. Despite

the fact that science is daily making life more livable and interesting, daily devising ways and means for shifting burdens from the backs of men to the backs of machines, daily widening the range of men's interests by rapid transportation and communication, and broadening the scope of existence generally, the time of the majority of mankind is still occupied almost entirely in the business of providing food, clothing, and shelter, with little time or training for lifting life to a higher level—even if the means were at hand. This is plainly indefensible, if it is to be accepted as the inevitable result of the business system. A system that does this cannot escape indictment and assault. For the average man will not long be content to exhaust himself in the task of merely providing food, clothing, and shelter for himself, his wife, and his children, with practically no energy left for other things.

I know all this. And yet I am convinced that the social progress of the future will be achieved not by the destruction of the business system but by its further and finer development. The modern business system is at present more or less lawless, but the pressure of necessity during the next ten

or twenty years will enforce its reform. Unless I wholly misinterpret the signs of the time, we are now in the morning hours of a period in which business men, in order to survive and succeed, will be compelled to adopt the sort of policies that will give us an increasingly better social order. During the next ten or twenty years we shall come to see from practical experience that there is nothing necessarily contradictory between successful business and social progress. Success in both will demand the same principles and the same practices. Commercial success and social welfare, in the days ahead, will stem from the same root.

The average man and the average student of social conditions too often start with the premise that business by its very nature is anti-social. Certainly conspicuous business success has been so regarded. And we are obliged to admit that much of it in the past has been. But the point I want to make is that business must henceforth function in a changed world—a world in which good business policies will be found to be good social policies.

What I mean concretely is this: Social progress demands coöperation, the modification or—to borrow a word from the psychoanalyst—the sub-

limination of the class struggle, the access of every man, woman, and child to a decently adequate supply of the necessities of life, and the release of the individual from the things that prevent his living a creative and contented life. In the past, successful business has often blocked the way to a realization of these socially necessary ends. But coming conditions are going to compel business men to make changes in policy and in action that will result in just these things. The business policies that will enable men to make the big business successes of the next ten or twenty years will produce these things as by-products.

The details of these coming changes I shall discuss in a later chapter, but, since this is the idea that will more or less underlie all of this book, I want to set down here a few advance hints of my reasons for believing that the successful business of the future will result in sound social progress as a by-product. Let me merely tabulate a few of these hints without discussing them.

For some years to come, in the absence of developments not now predictable, American business will be unable to export the surplus goods it will be able to produce, the surplus goods it is

even now geared up to produce. A ramshackle Europe in reduced circumstances will not be a good customer.

Unable to spend their surplus energy in competing for foreign business, American business men will devote their surplus energy to a keener competition for domestic business.

In the super-competition that will result, the small business man and the inefficient business man will have a very difficult time matching the prices and the service of the big factories and the big stores that do business on the basis of mass production and mass distribution.

Everything will tend to drive American business and industry into mass production and mass distribution.

This mass principle, widely applied, will result in hitherto undreamed of economies and efficiencies.

These economies and efficiencies will make possible a marked reduction in prices, will in fact compel a marked reduction in prices, for the main idea of mass production and mass distribution in the matter of profits is that the largest total profit is to be made from the sale of an enormous number of articles at a small profit per article.

This reduction of prices will relieve the economic strain on the masses, mitigate the fears of insecurity and unpreparedness against the exigencies of life and labour that to-day haunt the minds of workmen, make possible a generally higher standard of living, and in every way reduce that class friction which seriously slows down the rate of social advance.

These things—to say nothing of the ultimately higher real wages that mass production will make possible by bringing about at the same time a reduction in cost of living—will give greater freedom to the individual.

Thus successful business, under the lash of necessity, will make for social progress. I am not suggesting, mark you, that business men are going to experience a sudden “new birth” of social idealism, but simply that business men, face to face with difficult times, will do the things that can alone assure their success, and will later discover that business intelligence and social idealism have met and merged.

II

In times past, business could be successful despite many anti-social policies and practices, be-

cause society was not in the tight corner it is in to-day. The business man of the past was in very much the same position as the pioneer who could afford to be recklessly wasteful in a virgin land. Business, until now, has been on what might be called a pioneering spree. Only lately have economy and the wisest possible handling of men and material become absolute essentials to business success.

As H. G. Wells makes a character in one of his later novels say, "In the days before the war it was different. A little grabbing or cornering was all to the good. All to the good. It prevented things being used up too fast. And the world was running by habit; the inertia was tremendous. You could take all sorts of liberties. But all this is altered. We're living in a different world."

We are, indeed, living in a different world. In place of abundance we have shortage in most nations. Instead of a simple world with lots of elbow room we have a world complicated and crowded. In place of dominant captains of industry and docile labourers we have captains of industry in insecure seats and a labour mass become articulate and conscious of its political and

economic power. In short, we are now living in a world in which the reckless and wasteful methods of the exploiter are a social menace and the creative methods of the scientific, socially minded business man a social necessity. The business man of yesterday could get along very well with the pioneer virtues and pioneer practices. The business man of to-morrow must have the engineer-mind and be guided by a vision of economic statesmanship.

The pioneer, although a wasteful exploiter, is more than worth his bed and board because of the new territories he opens up. But unless he keeps moving on into newer and newer territories his virtues soon become obsolete and a heavy charge on society. As society develops the pioneer must always be succeeded by the engineer and the statesman.

In the pioneer conquest of this continent the pioneer didn't use fertilizer because it was cheaper to move to new acreage when the old soil was depleted. He didn't pick a tree clean of its fruits or its nuts; it was simpler to move to the next tree and pick from the easily accessible lower branches only. He didn't conserve the buffalo and other

game; the game supply seemed inexhaustible. Exploitation was actually cheaper than conservation. The paradox of pioneering is that, for the individual pioneer, waste is economical.

But when the last frontier was reached the pioneer had to change his methods or become a personal failure and a social liability. When there were no more new lands to preëempt, the old had to be fertilized. When fruits and nuts were no longer to be had just for the picking, orchards had to be planted and protected, and every tree had to be carefully picked. When the end of the game supply was in sight, game laws had to be drafted for its conservation, and cattle herds created and maintained.

All this holds a lesson that we business men will do well to heed before we are compelled by costly experience to heed it. American business has reached its last frontier. I am referring not to the size of American business but to the sort of policies it must follow. We are entering a period in which policies of exploitation that smack of the anti-social wastefulness of the pioneer will not be profitable. Only a broader and more scientific approach will enable the business man of the future

to survive, to say nothing of succeeding in any large sense.

III

I am not slinging mud at the business men of the past. I am not indulging in the conventional faultfinding with the ruthless business exploitation that marked the past years of our national development. The "rape of the continent" has been analyzed and re-analyzed until there is no need to go over that ground again. The old business man may have blackjacked the public into excessive concessions as a reward for his services in building the nation's railroads and establishing its basic industries. From the current point of view it is the easiest thing in the world to indict him for a sort of economic blackmail of the nation, but he was only playing the eternal rôle of the ruthless and wasteful pioneer.

There is always a little injustice, a little lack of sympathetic understanding, in the criticism one generation passes upon the practices of its predecessor. But we must remember that, for good or for ill, we are the children of our own generation and none other. We shall be judged more by the virtues we achieve for ourselves than by the

criticisms we launch against the sins of our fathers. There is nothing to be gained by wasting tears over the business exploitation of the past. We would better turn our energies to the urgent job of substituting the engineer-mind for the pioneer-mind in the American business of the future.

The wise business man, seeing that we have passed the time when reckless, wasteful, exploitative, and anti-social methods could be made profitable, will, as I have suggested, turn to the scientific development of business. He will do this not merely because a new social conscience constrains him but primarily because sound business intelligence and competition force him to do it. When the character in Mr. Wells's novel said that we were living in a new world, he went on to say, "It's a new public. It's—wild. It'll smash up the show if we go too far." Now, I am not suggesting that the business man will or should base all his policies upon the fear of social revolution. I am saying only that the new economic and social conditions that have come as a result of the increasing industrialism, the increasing complexity, and the increasing interdependence of society, that the particular economic muddle of transition into

which the war plunged the world, and especially the newly awakened mind of labour, all mean that the business of the future cannot be commercially successful unless it is socially sound.

All this may sound theoretical and a bit out of character, coming from a shopkeeper, but I am convinced that nothing will as quickly fit a business man to survive and to succeed in the difficult years ahead as a thorough personal study of the relation between successful business and social progress. They are not two problems, but two aspects of the same problem. Let the business man begin his study with either conception—that of successful business or that of social progress—and if he thinks straight he will come out of the other. That is to say, he will find that a scientific application of the policies needed for social progress will bring business success, and conversely that the scientific application of the policies needed for successful business will bring social progress.

IV

But the business man who tries to establish the right relation between his business policies and the requirements of social welfare runs the risk of

falling into a dangerous error—the error of thinking, even subconsciously, that because he has done something a little more right than is customary he is less likely to succeed and is, perhaps, a little less obligated to succeed.

This may seem a statement born of unnecessary caution, but over and over again I have found that when men begin to concern themselves with social justice in their businesses they are tempted to use their good intentions as an alibi for business shortcomings. Social progress does not lie that way. And certainly business success does not. We must realize that a good ethical sense is no excuse for a bad business sense.

I have a very solid respect for the much-satirized phrase “business is business.” I believe it is better to run a business honestly in the ordinary fashion than to introduce into it forward steps in the direction of social welfare, if their introduction carries with it even covertly the suggestion of an excuse for doing business less well. Sincerity is no justification for sloppiness.

I do not want to seem to be putting the money interest above the human interest, or seem to suggest that good social policies are valid only

when they do not interfere with profits. The whole idea of this book is that good social policies are the surest recipe for big and continuous profits. I am speaking only of the man who dabbles in matters of social welfare without seeing this. My conscience is easy, however, even with the risk of misinterpretation of what I have just written, for I know from long experience that straight business thinking is always, in the end, sound social thinking.

The point I am trying to make is that there is a lot of merely good impulse that is mistaken for that sound social thinking which is always straight business thinking. It is against this merely good impulse, devoid either of wide social vision or of sound business sense, that the business man must guard himself, for social progress is not helped by the business man who carelessly introduces all sorts of progressive social policies into his business and then ends in the bankruptcy court. Such a business man, despite his good intentions, is the worst possible enemy of social progress. He gives the cause a bad name among other business men who, remembering his bankruptcy, are likely thereafter to think of his sound social policies as the cause of his failure.

All of which emphasizes the fact that the socially minded business man has a greater obligation to succeed than any other type of business man. He must remember that the first business of reform is to succeed. Otherwise the innovation stands no chance of being imitated. Social progress suffers when it is sponsored by well-meaning but untrained minds. The impulse toward justice is bound to be abortive unless it recognizes the obligation of success. Shall I be guilty of straining for a paradox if I say that, from the long view, unsuccessful business morality is immoral?

v

I have tried to suggest that there are certain special reasons, growing out of the stress and strain of the post-war period, that will make the successful business of the future a mainstay of social progress. In addition to these, there are several abiding reasons, inherent in the business system itself, why the cause of social advance has more to hope for from the business of the future than from the political adventures and the general reform movements of the future.

Granted the right leadership, I am sure that

business is a better instrument than politics for the achievement of an increasingly better social order. Let me contrast, for a moment, the business system with practical politics. This has been done many times, so I am merely summarizing, not setting out any new ideas.

Business operates all the time; political parties function at high efficiency only part of the time—campaign time particularly.

Business deals with the concrete things that affect intimately and continuously the daily lives of all of us; politics deals too much in airy abstractions that may be good enough to campaign with but are inadequate to live by.

Business leadership is determined in most instances by the careful process of selection; political leadership is chosen by the none-too-effective method of election.

Business determines the careers of most of us; politics determines chiefly the careers of office holders.

But the one thing that makes business predominantly the instrument for social progress—if we only use it wisely—is the fact that business men control the progress of this country. They control

the progress of the country not because they are either geniuses or pirates or because they have joined in any dark plot to capture and loot the common people. They are neither more grasping nor more public spirited than other men. They control the progress of the country simply because this is an industrial nation and their hands happen to be on the levers of power.

Whether they are blundering or brilliant, whether they are actuated by sinister motives or by social vision, they still control the processes of production, distribution, and consumption. And these three processes touch our lives at more points and oftener than all the torch-light processions, congressional debates, and reform movements that have taken place since the first politician mounted the stump and the first reformer challenged the status quo. What business men think and do about production, distribution, and consumption is therefore the most important single factor to be considered in any study of the possible arrest or advancement of social progress. It is not so much the attitude of business men toward "public questions" as it is their attitude toward "business questions" that counts in the history of social advance.

Whatever may be the point of view that will dominate the business men of the next ten or twenty years, the fact remains that the sort of place America is going to be to live in will be determined more in Pittsburgh and Fall River mills, New York banks, Brockton and St. Louis shoe factories, Arizona mines, and the other business and industrial centres than in Washington and our state capitol. Whether the business man visualizes his job as a challenge to economic statesmanship or as a mere buccaneering adventure, the fact remains that the key to social progress lies in his hands.

The business system, then, is an ideal instrument for the achievement of sound social progress, and it is gratifying to see that modern conditions will more and more tend to make it impossible for the business man to succeed in any large way except as he uses this instrument wisely, uses it in a way that serves the interests of society as well as the interests of his stockholders.

The successful businesses of the future will be the businesses that improve the processes and reduce the costs of production, rid distribution of its present indefensible wastes, bring the price of the necessities of life lower and lower, shorten the hours

of labour and enlarge the margin of leisure, eliminate periodic depressions and recurrent unemployment, limit the area of the industrial battlefield and enlarge the floor space of the council chamber, create better and better working conditions, pay higher real wages, and increase the comfort and prosperity of both their employees and their customers.

These are the things that the facts prove will be not optional but obligatory upon the business man who wants to succeed in a big way during the next ten or twenty years. And these are the things that will give us decent social progress.

VI

It is customary for social critics to bewail the fact that American civilization is predominantly a business civilization. I hope to live to see the day when that regret will be changed to pride, a change that waits only upon business sense, business vision, and business statesmanship. And the ambition to succeed will join with the harsh schooling of the bankruptcy court in making this sort of business administration more and more common.

Since this is the conviction that has come to me out of a lifetime spent in the rough-and-tumble of business, I want to conclude this chapter as I began it by saying that, in my judgment, the social progress of the future lies not in the destruction of modern business system but in its further and finer development.

CHAPTER III

TOWARD A NEW INDUSTRIAL REVOLUTION

I

UNLESS I misread the facts of the present political, social, and industrial situation, we are on the threshold of an era that will be marked by changes in business and industry as far reaching as the changes that followed the introduction of machine power into industry. We are facing the necessity of changes in the factory system that will affect the lives of our grandchildren as profoundly as the establishment of the factory system affected the lives of our grandfathers. Such changes are clearly in the cards.

It is with the character and control of these coming changes that I desire to deal in the following chapters. What these changes are to be is a matter of deep personal concern not only to the manufacturer, but to every business man, to every workman, and to the public at large. For the changes that we shall be obliged to make in

production will lead to a pretty thorough overhauling of our machinery and methods of distribution, and, in the end, both the quantity and quality of consumption will be dictated by them. To attempt to forecast these changes is not merely to indulge in an interesting speculation, as a sort of intellectual diversion after office hours; it is a necessary prelude to any intelligent business planning. I say this because I am convinced that no man can survive and succeed largely during the next ten or twenty years unless, by advance study, he anticipates these changes and gets himself and his organization ready to play a constructive part in their administration.

This does not mean that business success will in the future depend upon some mystic gift of prophecy. It does mean that the business man of the future must become more and more a master of the sort of prophecy that straight and impersonal thinking makes possible. It means that the business man must apply scientific thinking to his problem. By scientific thinking I mean the sort of thinking that judges by results; that judges on the basis of facts instead of hopes, wishes, dreams, prejudices, or conventions. I mean straight

thinking from cause to effect, impersonal thinking, thinking that does not trust to "hunches" but demands all of the facts and then studies them in their relation. As H. G. Wells has put it, "science is very largely analysis aimed at forecasting." If there ever was a time when business men were obliged to think scientifically in order to succeed, it is now. If we refuse to improvise, to guess, and to gamble, and force ourselves to think clearly from cause to effect, we shall see that whatever is going to happen in business and industry during the next ten or twenty years is really here now—if we only take the trouble to see it. When we business men are taken by surprise at some turn of affairs that upsets our calculations, we are too likely to say, "Now, who'd have thought that possible?" So many unprecedented things are going to happen in the next decade or so that it behooves us to get into the habit of thinking ahead and of saying, when we are surprised, only, "Now, what factor did I overlook in my planning?"

There is a French phrase which runs: *Voir; Prevoir; Pourvoir*, which, freely translated, means "see to foresee; foresee in order to provide." This is a motto that we business men would do well to

keep conspicuously on our desks during the years of change and readjustment that lie just ahead.

I have said that we are entering a period in business history that will be marked by changes as revolutionary as the changes that followed the introduction of machine power into industry and caused the Industrial Revolution, which can be roughly dated from about 1770 to 1840. That revolution is now a matter of history. We have long since dissected its causes and watched its effects. We know how completely it altered the very structure of society and changed the meaning of life and of labour for the majority of mankind. We can look back upon that revolution now and see how many of its tragic social effects might have been foreseen and forestalled.

Although industry had been moving in its direction for at least the two preceding centuries, that revolution really began when James Watt, in 1769, harnessed the power of steam to human use. When this discovery was joined with Kay's flying shuttle, Hargreaves' spinning jenny, and the inventions of Arkwright, Compton, and Cartwright the revolution was in full swing. It is important to remember that this revolution was caused, not

by proletarian agitators, but by inventors and administrators. And this meant that the men at the head of industry had the opportunity which rarely comes to administrators to control the effects of the revolution.

If only the business and industrial leaders of that time had formulated their policies in a less haphazard day-to-day fashion; if they had only looked before they leaped; if they had only taken into account the human as well as the material factors involved in shifting industry from hand production to machine production; if they had only managed the transfer from small-scale production to large-scale production in the light of its social as well as its financial implications; if they had only taken the long view, which is the only business-like view, the coming of the machines might have meant the redemption of mankind from the necessity of spending all their energy in the mere struggle for food, clothing, and shelter.

Now, unless I am far afield in judgment, we are to-day on the eve of another industrial revolution, one that will also be caused, not by proletarian agitators, but by inventors and administrators. And if the changes in business and industry that it

will involve are to bring a more abundant life to mankind, we shall have to provide in advance for their wise direction. Otherwise the next fifty years will witness the increasing enslavement rather than the increasing enfranchisement of mankind. It is easy, I know, to be wise after the fact. It is difficult to be wise before the fact. But what are we for, if not to improve upon our ancestors?

We must pay as much attention to our prophets as our forefathers paid to their profits if the industry of the future is to be the servant rather than the master of our children. And, if I may be permitted a further play on words, the better prophets we business men are, the bigger profits we shall make during the next ten or twenty years. For, as I have already suggested, the big business successes during the next ten or twenty years will be made by the men who are now best able to anticipate the changes that are coming in business and industry and who most wisely adjust their policies to them.

II

As I see them, the coming changes in business and industry will be primarily an extension and

extreme application of the principles of machine power, division of labour, and large-scale production which produced the Industrial Revolution of 1770-1840. In determining our business plans for the future, we business men want to avoid the mistakes and improve upon the policies of the men who conducted their businesses in the midst of that revolution. I think I am justified, therefore, in giving a few pages at least to a rehearsal of that revolution for the light it may throw on the new industrial revolution that I am sure lies ahead of us. In doing this I shall not attempt to join in the popular pastime of writing another "outline of history." I simply want to enforce, by every argument within reach, a very practical discussion that should be going on to-day in the directors' rooms of every business institution in the United States.

The Industrial Revolution, as everyone remembers from his history and economic text books, substituted machine production for hand production. It turned a system of small-scale production into a system of large-scale production. It changed the lives of workmen as thoroughly as it changed the products of work. Let's visualize the essential features of the old hand production

system, and then see what the introduction of machine power did to it.

The man who was master of a craft made his wares in his own home where he was assisted, perhaps, by a few apprentices and journeymen. The apprentices and journeymen ate at his table. One of them, perhaps, married his daughter. Social distinction between employer and employee had not then loomed very large. The master of a craft owned the tools of production and the raw materials for production. He owned the finished products and received the profit from their sale or the benefit from their barter. Since his customers were, in the main, his immediate neighbours, there was every stimulus to good workmanship and high quality in his products. His trade was protected by the simple regulations of his guild and the laws of his city. The processes of industry were very simple, its human relations very intimate. Even the poor of our own time enjoy luxuries unknown to many of these masters of crafts. But even if they could never hope for great wealth, they were not haunted by dire poverty.

There were three things about this old system of hand production that we must keep in mind when,

a little later, we come to a study of the probable changes we are facing in the business and industry of our own time. Let me state them briefly.

First, it gave the workman an opportunity to express whatever creative ability he might have through the articles he produced. It put a premium upon high-grade workmanship, because it was impossible for the workman to dodge responsibility for bad workmanship, inasmuch as he made all of the article, not simply one small part of it, as the modern workman does under minute division of labour. Under such a system of production it was possible for a man to lift, say, furniture making, to an art and to have the same intense personal interest in its processes that the artist takes in his paints and canvasses. All this plainly made for that quality and beauty which we still associate with hand work, and for which we pay high prices in antique shops.

Second, it gave the workman a sense of security. In handicraft days, the workman did not have to worry very much about the tenure of his job. Owning his own tools, his own raw materials, and his own shop, he knew that no boss could "turn him off" on Saturday night.

Third, it gave the workman hope of steady advancement and ultimate independence. An apprentice could always hope that some day he would be able to buy a few simple tools and "go into business for himself." And the ladder that reached from apprenticeship to mastership was not a discouragingly long ladder.

Now, all of these things that marked the industry of hand production were things that made for human dignity and social contentment. And nine tenths of the social and industrial trouble of our time is traceable to the fact that modern industry has made these things the exception rather than the rule.

We could not, of course, feed and clothe and shelter our modern world by hand, unless we were ready to renounce many, if not most, of the things we have come to associate with effective work and satisfactory living. I have just been talking with a student of social conditions, fresh from several months' day labour in various American industrial plants, who contends that the factory system imposes upon the worker an intolerable burden that cannot be lifted save by the destruction of the factory system and a wholesale return to cottage

industries. Now, I am in pretty thorough agreement with the indictment of the factory system as it is in many instances administered, but I am in utter disagreement with the notion that social progress can be achieved only through its destruction and a return to cottage industries. Some one has suggested that the only industry that promises to revert to a home industry is brewing. Any attempt to take the machine out of modern industry is, in my judgment, a Quixotic tilting at windmills, the Guild Socialists and other mediævalists to the contrary notwithstanding. But—and this is something we business men must consider in our future plans—it is one of the great sins of business leadership that, in shifting to a system of machine production, we destroyed so many of the values that marked the earlier order of hand production.

III

Let us see how these values came to be lost out of industry. There is no use denying that the world of hand production, with the pleasure, security, independence, and hope it gave to the producer, and the quality and beauty it put into his products,

was shattered by the coming of the power machine. We realize now that its best qualities might have been carried over into the new order if the business men of the time had been social statesmen, or, to speak more accurately, if they had been better business men. If they had only thought out, far enough in advance, the changes they made! But they didn't. They were more the creatures of their time than its creators. They blindly played with forces they did not take the trouble to understand. Somebody discovered the possibilities of steam; somebody invented a machine; and the business men of the time set the machines at work, with little thought beyond immediate production and immediate profits. Instead of preventing the social problem, as the business men of that time had the opportunity to do, they precipitated it.

The business men of the next ten or twenty years will face a similar opportunity. The meaning of life for the majority of mankind will be definitely determined by the way we business men administer the coming changes in business and industry. And this book, from foreword to conclusion, is a plea for the sort of advance planning that will enable us to meet our opportunity more

wisely than the men of this earlier Industrial Revolution met theirs.

But I must resist running up these little by-paths of exhortation. It is farthest from my intention to preach at anybody in this book. I am trying only to put on paper the sort of thinking that experience is compelling me to try to do in the interest of my own business for the next ten or twenty years.

Now, what were the specific results of the Industrial Revolution that followed the introduction of machine power into industry? It is important to have these clearly in mind because every problem involved in that revolution promises to turn up again in a fresh form and on a larger scale during the years just ahead.

Well, for one thing, the introduction of machine power caused the centralization of production in great industrial cities. This was, at the time, inevitable. Production had to be transferred from the home to the factory because the machines needed more room, they had to be coördinated under one roof, and they had to be near adequate supplies. This centralization of industry had wide social effects. The individual workman could not

buy the expensive machines as he had formerly bought his inexpensive tools, and since he could not compete with the larger and cheaper output of the machines, he had to go to the factory and "take a job." The workmen, of course, had to be near their work. This meant that the congestion of workmen in near-by slums followed as a matter of course.

Again, the introduction of machine power made production fitful and the workman's tenure of employment insecure. The reason for this is plain. The machine produced things so much faster and in so much greater quantity that the market was periodically glutted. Every time the market became glutted, the factories were shut down until consumption could catch up with output. And when the factories were closed the workmen were discharged until they were needed again. This meant periodic work famines which threw fear into the hearts of the workmen and marked the beginning of the modern labour unrest.

Finally, the introduction of machine power tended to take beauty, good craftsmanship, and creative interest out of production. The man who

had been the more or less creative maker of the whole of an article became the tender of a machine that made only one small part of the article. The old watchmaker found watchmaking a fascinating undertaking, but, since the coming of the machine and its division of labour, he finds himself confined to some single process in the turning, testing, boring, polishing, or fitting of a single part of a particular sort or size of watch. The man who makes only one one-hundred-and-fortieth of a watch tends to become one one-hundred-and-fortieth of a watchmaker.

Large-scale production made, still makes, and will continue to make minute division of labour necessary. Many writers have protested in vain against the degradation of craftsmanship and character by the monotony and specialization of machine production. This issue cannot be settled by preachment. We can no more run away from division of labour than we can jump out of our skins, but there is no use denying that minute division of labour—unless it is part of a broad and statesmanlike administration of industry—makes it difficult for the workman to maintain a personal and creative interest in his work. This was cer-

tainly evident in the early days of the Industrial Revolution when the mass of workmen could still remember the older and simpler methods of production.

I am not attempting to make a complete statement of the business and social effects of the Industrial Revolution. I am listing only those aspects of the old Industrial Revolution which will, as I see it, reappear in the new industrial revolution that will result from the changes that are coming in business and industry during the next ten or twenty years. And in order to tie these two industrial revolutions as closely together as possible, let me summarize what I have said so far.

First, the Industrial Revolution caused the centralization of industries in cities.

Second, it brought about the congestion of workmen in slums, herding them together into unnatural modes of living.

Third, it destroyed regularity of production, creating the problem of alternate booms and depressions.

Fourth, it destroyed regularity of employment, making recurrent unemployment one of the most vexatious problems of our time.

Fifth, under its minute division of labour, creative craftsmen grew fewer and mere job holders more numerous. Quality was sacrificed in the race for quantity. Beauty was run out of business and forced to take refuge in the obscure shop of the occasional artist.

Now, what effect will the coming changes in business and industry, which I hinted at in brief outline in the first section of the second chapter, have upon these five issues? If the deductions running throughout this book are sound—that the social progress of the future will come as a by-product of successful business—then these coming changes must not repeat and reënforce the results of the old Industrial Revolution; they must reverse them.

Specifically, the new industrial revolution which the inventors and administrators are going to bring about must make possible the increasing decentralization of industry.

It must stop the centralization of factories in a few big cities and the herding of their workers in slums.

It must regularize production and distribution and forever do away with the seasonal fits and

starts, the alternate booms and depressions, that now disgrace our administrative intelligence.

It must solve the problem of unemployment for which the only remedy is continuous employment.

It must lay the ghost of insecurity that now haunts the mind of labour; and it must face frankly the effect upon workmen of the repetitive labour which machine production makes necessary.

This is a pretty large order, but it can be filled. I think it will be filled, not because the business men and manufacturers of the next ten or twenty years will be any better morally than the men who managed the old Industrial Revolution, but simply because these problems must be solved before the business of the future can be successful in any large and permanent way.

I have indulged in a rather long-winded introduction to what I want to say about the changes that seem to me to be imminent in business and industry, but this roundabout approach, academic as it may seem, is absolutely essential to any real understanding of our business future. There are times when an excursion into economic history is just as important to business planning as the consideration of current production costs and mar-

ket fluctuations. This is such a time. The successful business man of the next few years will be the man who can most accurately forecast the future, and, as someone has said, "the reason why we cannot see the future as plainly as the past is because we know too little of the actual past and the actual present." I have spoken of that part of our past which promises to throw most light upon our future; now, in the light of our actual present, I want to ask and to try to answer, not simply as material for this book but as part of my personal business planning, these questions:

What changes may we expect in business and industry in the near future?

What must the business man who wants to succeed do in order to meet and to take full advantage of these changes?

What will these changes mean in terms of the general welfare of the people?

Since I am speaking primarily to my American business associates, I shall speak in the following chapters in terms of American business and industry only, although the changes I shall venture to predict and discuss are due, if not overdue, in all highly industrialized countries.

CHAPTER IV

THE COMING TOOTH-AND-CLAW COMPETITION

I

INVENTION, rapid transportation, speedy communication, credit, contract, capital, and corporate organization have shrunk the world to an intimate neighbourhood. Therefore, despite the contentions of narrow-visioned senators who allow their partizanship to dictate their economics, the future poverty or prosperity of American business will be largely determined by the political and economic conditions of Europe and by the attitude we take toward European stabilization. We miss the real point if we consider our foreign policy solely in terms of our belief or disbelief in a League of Nations. The question is also whether "splendid isolation" in politics may not mean "suicidal isolation" in economics.

I do not mean to suggest that the political aloofness of American from European reconstruction has destroyed or will destroy the essential soundness

and relative self-sufficiency of the economic life of America. I do mean to suggest that, if persisted in, it will enforce a far-reaching and revolutionary change in our whole plan of national life and work. It will compel us to place our whole system of production and distribution upon a different basis. As yet this may not be apparent to the rank and file of business men, but our business leaders are beginning to feel the effect of the conditions that will compel this change.

Let me state concretely the grounds of this belief. Despite the ramshackle condition of Europe and our refusal to accept a partnership responsibility in the stabilization of Europe, the economic condition of the United States is remarkably good. We are the richest nation in the world. As I write this, our savings-bank deposits are the largest in our history. There is enough work to be done to keep every man and woman in the country busy. There is, for instance, a vast amount of building that should be done to relieve our housing shortage; there is no end of work that should be done on our railroads further to make good the deterioration of war-time and to extend their service; there is worn-out machinery of all sorts to be replaced; and an

untold amount of labour could well be expended upon necessary public improvements that were held up during the war, and which have not even yet been resumed.

This makes a rather decent picture. Offhand one might be inclined to say, "Maybe the man who counselled us to let Europe stew in her own juice was wise after all." The hasty reader may say, "If we are in such fit condition, why disturb our peace of mind by talking of far-reaching changes in our business and industry?" But there is a fly in the ointment. There is another side to the shield.

No one, except the professional optimist, feels very hilarious about the business outlook. And, unfortunately, the optimist's "silver linings" cannot always be minted into coin and credit tokens. But why—with so many signs of economic soundness all about us—are we going to have such a difficult time? The answer is plain enough to be read on the run. Most of our trouble grows out of the fact that we are unable to export our surplus goods in anything like an adequate volume. And we must remember that export trade is not a matter that concerns only the

capitalist with the large waistline and the checked suit which the cartoonist has given him. Whether we can or cannot export our surplus goods affects Main Street as intimately and as profoundly as it affects Wall Street. We have had no end of fun lambasting the old politician who said "the tariff is a local issue," but there is something to be said for that contention, in the sense that anything helping or hampering our export trade sooner or later affects the last workman, the last farmer, the last crossroads merchant, and the last preacher in the United States.

The war taught us to produce goods faster and in greater volume than ever before, but it also left impoverished the very nations we look to as our natural markets. We have a surplus-producing ability that would have been thought impossible in 1913. Unless there are developments which we cannot foresee at the moment, the outlook is that we shall not be able for many years to come to export to Europe the surplus of goods we are able to produce. It is needless to go into the reasons for this here. Good business rests upon prosperous customers, and Europe is plainly in straitened circumstances.

Now this is serious business for us, any way we choose to look at it. It doesn't mean, of course, that we are going to the dogs, even if we find it impossible to solve this riddle of international economic relations. But it does mean, as I have already suggested, that we shall have to readjust completely our whole plan of national life and work. It means that we shall have to make changes in our methods of production and distribution that will usher in a new industrial revolution. It is in the possibility of this enforced readjustment that we shall find the key to the changes that are probably coming in American business and industry.

Now, starting with this one point—the likelihood that we shall be unable for many years to come to export our surplus goods in great enough volume—let us see what we may reasonably expect. Well, it seems to me inevitable that, unless we find a way to export our surplus goods, we shall rush headlong into a more intense competition than we have ever known between the businesses and industries within our own country. This super-competition will be a competition between our distributors as well as between our producers. If we cannot let off our surplus energy in export trade, we shall use it in

fighting one another for domestic business. This is not economic theory but plain every-day human nature. Good manners and brotherly love will not restrain us.

The question is: What will this super-competition mean to us? In trying to answer this question we must distinguish clearly between the immediate results of the first few months or years and the more abiding results that will come over a period of, say, ten or twenty years.

It does not require any crystal gazing to forecast what will happen in the beginning of this super-competition. At first it will undoubtedly mean a domestic battle of price-cutting which will quickly lead to a campaign of drastic wage-cutting. The reduction of wages—which I hope to show a little later is the last thing the really far-sighted business man will consider—will let us in for all sorts of political, social, and industrial conflict.

Both employers and employees will try to re-enforce their positions in this struggle by every means within reach. We shall have to deal with the menace of a strike epidemic, since strikes and lockouts are the obvious weapons that are always used in the absence of really statesmanlike leader-

ship of industry. But it will not stop there. Both employers and employees will compete for control of the government with its coveted power to levy taxes and make economic laws. And they will not be content with the obsolete and stigmatized methods of lobbying. They will openly compete for seats in the Senate and the House of Representatives. That is to say, they will push the idea of "bloc government" as far as possible.

Labour will undoubtedly take its cue from the "farm bloc" which is beginning to play such a spectacular part in the protection and promotion of the agricultural interests. And it is inevitable that employers will, in a time of intense domestic competition, more than ever fight for pretty direct representation of their interests in Senate and House. This super-competition will at first mean a serious scaling down of profits, and business men will more and more desire a direct power in government as a means of securing relief through the reduction of taxes, the manipulation of tariffs, and the like. Given a farm bloc, a labour bloc, and an employer bloc, we shall in time see all sorts of blocs coming in to protect other interests that may be lost in the shuffle when this three-cornered fight

gets fully under way. We shall, for instance, be likely to see sectional blocs formed. Undue discrimination in freight rates might lead to the organization of a New England bloc in Congress to protect local interests that had been neglected in the labour-farm-capital contest. In fact, such a "bloc" has already been suggested in certain sections of the New England press. Such a development would inevitably lead to Western, Southern, and Mid-Western blocs. And in this medley of blocs, some representing interests and some representing areas, many general interests of social welfare would run the risk of neglect. This would mean the introduction of a general group, fighting for the broader interests of social progress and attempting to maintain a balance of power between the more specialized blocs.

We cannot look with unmixed satisfaction upon this outlook for bloc government. There are, of course, some good things to be said for bloc government. It will have a distinct educational value. Many hitherto neglected rights and issues and groups will, for the first time, have adequate representation in Senate and House. But, on the whole, bloc government means bargaining-

for-votes government. At first it will, I fear, prove to be only a new road back to the old log-rolling days. The representatives of each bloc will fight for the things their constituencies regard as necessary. They will believe these things to be the most important things that Congress can do. Whether they are fully convinced of the justice of these things or not, they will fight for them, because their political careers depend upon their "delivering the goods" to their constituencies. I do not want to sit in the seat of the cynic who says "if you want to love the human race don't expect too much of it," but the history of legislative groups forces us to expect that under bloc government many Senators and Representatives will put the interests of their bloc above the interests of their country at large. The things they really believe in outside their bloc interests will not be voted for or against upon their merits. They will be likely to vote against a thing that may be more important to the whole country if by so doing they can swing votes to their particular bloc interests. It is a pretty disillusioning adventure to read the debates and votes on the tariff issue, for the record shows confirmed protectionists arguing for free

trade in certain products their constituencies want to buy or sell, and confirmed free traders arguing for protection of the products of the farms and factories of their particular sections.

Now, in so far as bloc government means the more intelligent and better informed representation of the various interests that make up our national life, in so far as it brings specialized equipment into the committee rooms of Senate and House, it is to be welcomed. But certainly in the early stages of the period of stress and strain we are probably entering, bloc government is likely to turn Senate and House into cockpits of warring interests instead of places of quiet counsel where men think nationally. It will probably add to the confusion rather than the efficiency of American politics. Of course, ultimately the competition and bargaining for votes between these warring blocs will force them to get down to fundamentally big causes, for the struggle of a farm bloc, a labour bloc, and an employer bloc will each lead into fields of legislation that will demand consideration of basic readjustments rather than mere petty bargainings. But we shall have to go through a long preliminary stage of huckster politics.

In this early stage bloc government will intensify the class struggle, both in industry and in politics, at the very time when we can least afford the wastes of conflict.

The early period of this super-competition, then, will be more a fight than a readjustment. Men will do the obvious rather than the far-sighted things. They will cut prices, in a blind effort to get business away from the other fellow, before they have really started to think out ways and means of reducing the costs of production. Of course, they will attempt to reduce the costs of production by certain obvious, blundering, strong-arm methods—such as cutting wages to the bone—but they will not at first realize that a period of stress and strain is first of all a challenge to business men to increase the efficiency of their management. They will think more of weapons and strategy than they will think of reducing costs of production by raising the efficiency of their plants.

This period will ultimately witness a ruthless weeding out of the businesses that do not go beyond mere price-cutting and wage-slashing. Here and there the really creative minds in busi-

ness, face to face with an intensity of competition they have never before known, will realize the anarchy, the wastefulness, and the inefficiency of our present methods of production and distribution, and will start a general house cleaning. The business men who do not do this, who simply "fight for business," will go down and out. There will probably be an unprecedented number of business failures. The survivors will be the businesses in which waste has been conquered and scientific method introduced.

Just what this conquest of waste and introduction of scientific method will mean in detail, and what forces will compel such a readjustment, I shall get at a few pages farther on. I want now to draw together the scattered threads of this forecast of the early period of this super-competition. I want to suggest what will probably happen if business leadership fails to meet with better management the challenge of a difficult time.

This sort of guerilla warfare between the business and industries of the country, and between the employers and the employees, will probably go on for some time. Although all the while more fundamental processes of readjustment and reorgan-

ization will be under way. The tooth-and-claw business will hold the centre of the stage for several years, perhaps, but a really scientific overhauling of business and industry will be going on behind the scenes.

Now, if the business leadership of the country should not go beyond mere price-cutting, wage-slashing, and the more obvious economies, all we could hope for would be an ultimate scaling down of the amount of our national production to what we could ourselves consume, plus, of course, enough to take care of whatever export trade we might have. And, in the end, we should be forced to an economy as extreme as the extravagance we have been practising.

CHAPTER V

FOREIGN POLITICS AND DOMESTIC BUSINESS

I

BUT there is a more hopeful outlook than the one I have just suggested. I am by no means the gloomy prophet the preceding chapter may seem to suggest. We might, in a reasonably short time, not simply get back to "normalcy" but go forward to something much better than "normalcy" if we took a wiser and more statesmanlike attitude toward European reconstruction. But, even barring this, the intense domestic competition we seem to be in for will drive us into reforms of production and distribution that will eventually give us bigger, sounder, and more profitable business than we have ever known. And these reforms will make for social progress and add to the good fortune and happiness of all of us in the bargain.

I want to speak briefly of the possibilities that seem to me to lie in the reform of our foreign policy

before plunging into a discussion of these hopeful changes in business and industry which this super-competition, as I see it, will compel us to make.

II

As I have just suggested, I think we might avoid the more ugly aspects of this super-competition if we were to play the part that the most elementary business judgment indicates we should play in the stabilization of the political and economic life of Europe. Mark you, I say only that we might avoid the more ugly aspects of this super-competition if we took an effective hand in the stabilization of Europe. I do not say that we could escape the super-competition itself. For even with Europe stabilized, we shall still have a harder time than ever to find adequate outlet for our surplus products. European nations will be under the greatest conceivable pressure to export their goods—a pressure never before equalled in the history of commerce; they will produce them under a scale of living lower than ours; lower than their own pre-war scale; and, thus, will make it harder and harder for us to sell our surplus goods in the face of her competition. But, as I have said, we might

decidedly ease the situation if we did what both duty and statesmanship suggest we do toward the political, social, and economic stabilization of Europe.

Why can we not export our surplus goods adequately? We have them, we want to sell them, and Europe cannot be restored to economic health, our own prosperity be continued, or the peace of the world be assured until we do. The answer is very simple. The European nations are for the time too poor to pay for them in gold or in credit, to say nothing of our unbusiness-like tariffs that make it difficult for Europe to discharge her obligations to us in goods. The only way in which the European nations can take the surplus goods which we have and are able to produce off our hands is by the grace of long-term credits extended by the United States. I do not refer especially to governmental credit, but to ordinary commercial and banking credit. But adequate long-term credits cannot be extended until there is greater political and social stability in Europe, until there is less danger of wars or revolutions that will make the repayment of loans uncertain or impossible. And this necessary stability, I submit, can be

brought about only through American coöperation. The catch-words of partisan politics aside, the fact is that American isolation does and must in the end contribute to European impoverishment and instability.

I know only too well, from observation in the field, that many of the European nations have been guilty of sins of omission and commission since the war. The man who is out to make a case against American participation in European affairs can find plenty of material for his brief. But the moment we refuse to take appearance for fact and really analyze these sins we see that they are simply an inevitable part of the war's aftermath and to a very great degree a result of our refusal to coöperate adequately. The further we carry our analysis the more clearly we see that similar and more serious sins cannot be prevented in the future unless we coöperate intimately and extensively in European restoration. It is not just a question of setting out on a search for some theoretical internationalism. It is a more matter-of-fact thing than that. It is that American coöperation in European reconstruction is absolutely necessary if the European and world markets are to minister to Ameri-

can prosperity. Any man who thinks it is possible to maintain a prosperous America alongside a poverty-stricken Europe is certainly a novice in business thinking. We cannot sit, hugging our own fatness, and seal our frontiers against the forces of unrest and dissolution that an unstable Europe will increasingly let loose. Typhus in the next block concerns us whether we own property there or not. Doing everything within our power to stabilize industrial Europe is, therefore, not the reckless following of a theoretical internationalism but a profitable and preventive programme for the sanitation of an area that will otherwise breed dangerous moods and measures.

I want to emphasize the fact that the situation cannot be handled in a way that will stabilize Europe and protect American business by trusting to our banks and our commercial firms to extend credit under present conditions. In the first place, adequate long-term credit to an unstable Europe is practically impossible. Our bankers must hold themselves as the responsible trustees of American savings, and if we depend upon them alone to handle the situation they will be forced always to lend in those quarters where the best

security can be found, judging security by the strictest technical requirements. This is inevitable. Nobody will quarrel with the bankers for doing it. But this procedure will not produce credit either quickly enough or adequately enough to put Europe on its feet in a way that will save America from a very long period of small export business and a cut-throat competition for domestic business.

It will seriously delay the general stabilization of Europe, upon which our future prosperity so definitely depends, because it will result in loans being granted first to the countries least in need of credit, and last or not at all to the countries most in need of credit. That is to say, if our bankers and business firms must decide each case upon its individual merits, unfortified by any general guaranty of the stabilization of Europe, the countries in direst need of funds and in greatest danger of political and social upheavals that will react upon us will stand the slenderest chance of getting the necessary credit.

Here is an instance when business is prevented from doing all it might toward the reconstruction of the shattered world order because politics re-

fuses to play the game with it. For our own interests, if from no higher motive, we should use our credit as an instrument for securing that political and social stability without which industrial Europe can never be made a going concern and a good customer. If we do not, such credit as we do extend may prove only the pouring of money down a bottomless well. It takes neither a wise man nor a prophet to see that there can be no permanent stability anywhere in Europe as long as any country is without the credit it needs to put itself in good working order and to keep its people at work. That one country will sooner or later breed a contagious spirit of revolution that will in time infect all Europe. Europe cannot be restored piecemeal. All of Europe must be stabilized or none of Europe will remain stable.

World politics has thus put a poser to American business. If we analyze the situation thoroughly we will realize that, in the long run, it will be a penny wise and pound foolish policy for us to pick out the nation here or there that seems to offer the best security, judged by technical credit standards. We realize that we are facing a situation in which

we should not allow the ordinary principles of credit to govern our decisions. We realize that, in order to insure the stabilized Europe that will guarantee a prosperous America, we should extend credit in the light of the necessity of stability for all the nations rather than the type of security individual nations can offer. Europe is fundamentally rich and, for all her blood letting, she came out of the war with intrinsic powers of quick recovery, but in the early stage of her return to work credit has been strangled by her political dangers. And, as a result, we are facing an unmarketable surplus and threatened with a period of drastic internal readjustment.

III

But what can the banker and the business man do about it? Well, they will do more as time goes on. Tangible assets and conventional collateral may be scarce in Europe, but credit is in the long run a matter of character, and the spirit of the European masses is solvent. But, as I said earlier, bankers and business men cannot alone stabilize Europe. They dare not extend adequate credit in the light of Europe's social necessities and re-

cuperative possibilities unless and until we, as a nation, join the nations of Europe in a concerted effort to rid the world of the present menace of war, revolution, and that political and social instability which they both cause and are caused by. Such a concerted effort could quadruple the safety of European credit—would create a practical basis for adequate credit.

But we are doing that, someone may suggest. Have we not joined in an agreement to limit naval armaments? I have no desire to indulge in cheap criticism of the Washington Conference. It was a fine effort finely made. But we are chasing a will-o'-the-wisp when we think that disarmament agreements will pull us out of the hole we are in. Disarmament on an adequate scale is impossible without some effective substitute for armaments in the protection and promotion of national safety and interests. Nations will not lightly cast aside the weapons of an old order until they feel reasonably sure that the weapons of the new order will give them at least equal protection. There is no substitute for war except law—international law. And international law, effective enough to be a substitute for war, is impossible without an associ-

ation of nations of which the United States is a member. Of this I am doubly certain after my studies on the spot in Europe.

We have committed ourselves to a policy of isolation because, we said, we did not want Europe to dictate to us. But Europe is dictating to us—more than if we were sitting in the councils of her reconstruction. I mean that European conditions are determining American conditions. I think we shall learn, sooner or later, that it is much better to do all we can within the limits of our Constitution than it is to stand aloof, later to be dragged at the heels of forces and events over which we can exert no control at their source.

It is, of course, our privilege to entertain this or that notion about internationalism as an abstract theory, and it is useless to waste time wandering about in the no man's land between the Lodge-ites and the Wilson-ites, but the one overshadowing lesson that politics needs to learn from business is that when a nation's warehouses and wharves become choked with surplus goods for which there are no customers ready to buy and able to pay, there is hardly a domestic problem that escapes a deadly complication.

IV

If we want to escape or at least avoid the most serious aspects of a difficult business future, we shall have to open the markets of the world. And that can be done only by our participating with the other Great Powers in the stabilization of Europe. It is not enough that our financiers coöperate with the financiers of Europe. Our financiers cannot do all that is necessary until our government coöperates with the governments of Europe in reducing the danger of wars and revolutions which has destroyed the soundness of Europe's credit.

But there is no need to discuss further the possibility of American participation in the political and social stabilization of Europe. I am concerned in this book to ferret out and to forecast the factors we business men must take into account in our business planning for the years just ahead. And while every really far-sighted business man will work hard for a foreign policy that will make the United States a real factor, instead of a mere visiting observer, in the council of nations, he will in the meantime make his business plans upon the

assumption that we may continue to play a lone hand for sometime to come.

And so we come back, after this side excursion into world politics, to the question we hinted at a few pages back. If we cannot export our surplus goods in great enough volume and are driven into an intense competition between the businesses and industries of our own country, what changes shall we be compelled to make in our methods of production and distribution, after we have passed through the early guerilla warfare stage of blind price-cutting and wage-slashing?

CHAPTER VI

TURNING TO MASS PRODUCTION

I

I CAN sum up in one short sentence my own convictions on the changes that the coming competition will compel us to make in production and distribution. This super-competition will ultimately drive us into mass production and mass distribution. It will compel us to Fordize American business and industry. And this application of the mass principle to American industry will bring about the new industrial revolution I have suggested.

I want now to suggest how we shall be brought to mass production and mass distribution before proceeding to a discussion of what seems to me will be the wider social effects of these methods.

The manufacturers and merchants of America will come to the application of the mass principle slowly. The road to its general application will be strewn with the wrecks of many business men who

refuse to think beyond day after to-morrow. Unless we business men put a lot of straight thinking into our problem, unless we persistently face fresh problems with fresh minds, we shall have to learn through sad experience, costly experiments, and unwelcome visits to the bankruptcy court that we cannot win out in the intense competition that is coming by the simple method of cutting prices and slashing wages. The first thing the coming competition will teach us is that we must reduce the costs of production. Too many of us, I fear, will thoughtlessly cut wages and go blandly on under the heavy handicap of wasteful and unscientific management. But sooner or later we shall learn that it is not lower wages but better management that will enable us to survive and to succeed.

I do not say that some wage reductions may not be necessary in the transition period. What I want to emphasize is that if we refuse to consider wage reductions save as a last resort we shall avoid the necessity of wasting our energy in a labour war at the very moment when we most need the whole-hearted support of our workmen in an effort to increase the efficiency of our plants and to reduce the costs of production and distribution.

If we simply cut wages without increasing the efficiency of our own management, we shall succeed only in reducing the purchasing power that, directly or indirectly, is creating the market for our own products. The way to success will lie through increasing the efficiency of labour by better management, through reducing overhead expense and other production costs by greater standardization of products and by mass output, and finally through reducing the price to the consumer, taking a smaller profit per article, and working for mass sales. In the end such a policy ably administered will enable us to pay higher wages than we have ever dreamed possible and will bring us the biggest total profits in business history.

II

It is vitally important that we begin at the right end in our attempt to reduce the costs of production. Production costs are made up of labour costs, raw material costs, overhead expenses, interest on invested capital, and waste that may be due to inefficient labour or inefficient management, or both. If we can cut down the costs of production by the reduction of waste, by the

reduction of overhead expense, per unit, through mass production, and by raising the efficiency of labour, a double purpose will be served. The cost of living will be reduced to the benefit of everybody, and the necessity for reducing wages in any wholesale manner will be removed, greatly to the benefit of the manufacturer who will not have to waste his energies in fighting a hostile labour force.

If we really meet the challenge of mass production and mass distribution, I think we shall find that the basic factors of labour trouble have been eliminated, or at least greatly diminished. Mass production requires a great body of consumers. We cannot have a great body of consumers ready to buy and able to pay for our products unless labour is well paid. It is as important to produce consumers as to produce goods. Under a régime of mass production, with the reduction in prices it will make possible, the handling of the wage problem will be easier than ever in our history, because in a time of decreasing prices static wages are apt to remain good wages. As we have good reason to know, in a time of rising prices, static wages quickly turn counterfeit, and we are never free from a clamorous demand for wage increases.

III

The average business man has always had the legitimate ambition to become one of the biggest men in his line. This has always been a difficult position to attain. But in the past, failure to attain it has not been a serious matter to the average business man. He has been able to get along fairly well as a small business man, going it on his own and doing business by rule-of-thumb. But in the future, with all the forces making for mass production and mass distribution, the small business man will have an increasingly difficult time. He will find it practically impossible, without a basic change in organization, to compete with the superior management and the lower production and distribution costs that necessity will more and more enforce in the great businesses and industries of the country.

As I see it, the business man of the future will be able to succeed only in one of two ways: First, by becoming one of the Henry Fords of his line, or second, by becoming one link in a chain of business men in his line. And this second way indicates one of the important developments we may ex-

pect in American business and industry. A group of small manufacturers or merchants making different parts of a given product or dealing in a given product may, without sacrificing any desirable independence or autonomy of their several businesses, form a sort of federation and effectively apply the same principles of standardization, mass production, and mass distribution which have made the Ford business the colossal success that it is.

This means that every business man in the United States should now be thinking out the implications of these coming changes to his own business. There is a danger that the small business men of the United States, reading of the large-scale changes that are likely to come, will think that they concern only the great captains of industry. But the fact is that no business man, large or small, will escape their influence. It is to be remembered that the choice of the best members for such federation will be possible only for those who do it first.

IV

Without becoming entangled in details that would be intelligible and interesting only to the

man on the inside, I want to suggest the character of the mass production and mass distribution which I have ventured to predict as the future form business and industry will take. I think I can do this within the limits of a few paragraphs. I have already suggested that mass production will force us into a war on waste and compel us to put industry upon a scientific basis. Let us see if we can catch the character of mass production in a little more specific definition.

Mass production will mean the increasing standardization of products, and an increasing mechanization of the processes of production. And the mass distribution which will follow mass production as a matter of course will find the biggest total profit in selling an enormous number of articles at the lowest possible profit per article. This means that the business man of the future, whether manufacturer or merchant, will make more money by reducing prices than the business man of the past has ever made by raising prices. He will strive always to bring prices to a lower and lower level, not from an idealistic social motive, but simply because it will be the best business policy.

The two things that are of most importance to emphasize in this discussion is that mass production and mass distribution will make possible the reduction of prices and the raising of wages at one and the same time. In discussing these two aspects of the question, I want again to draw my illustrations from the career of Henry Ford.

I shall quote Mr. Ford liberally in this discussion of coming changes simply because he has, more than any other producer in the world, demonstrated in his business the very principles of mass production and mass distribution which seem to me to be the principles upon which American business and industry will be forced to build in the days of super-competition ahead. He is, therefore, the logical man to quote upon the relation of mass production and distribution to the reduction of prices and the raising of wages. He has done both to a degree unapproached by any other producer and made enormous total profits in the process.

v

The way the business man, under a régime of mass production, will approach the matter of prices

is well illustrated by Mr. Ford's policy which he explains as follows:

My policy is to reduce the price, extend the operations, and improve the article. You will notice that the reduction of price comes first. I have never considered any costs as fixed. Therefore I first reduce the price to a point where I believe more sales will result. Then we go ahead and try to make the price. I do not bother about the costs. The new price forces the costs down. The more usual way is, I believe, to take the costs and then determine the price, and although that method may be scientific in the narrow sense, it is not scientific in the broad sense, because what earthly use is it to know the cost if it tells you that you cannot manufacture at a price at which the article can be sold? But more to the point is the fact that, although one may calculate what a cost is, and of course all of our costs are carefully calculated, no one knows what a cost ought to be. One of the ways of discovering what a cost ought to be is to name a price so low as to force everybody in the plant to the highest point of efficiency. The low price makes everybody dig for profits. I can make more discoveries concerning manufacturing and selling under this forced method than by any method of leisurely investigation.

Of course, this is nothing new under the sun. Most business men are doing this every day—that is, lowering prices as a bait to customers. The fact that lower prices mean more customers is not a discovery of yesterday. But the point I want to make is that heretofore we business men have used

this principle mainly as a method of disposing of goods that have grown obsolete on our shelves or in our warehouses, or as a means of reducing our inventory when we have become overstocked as a result of unscientific buying, or to meet competition, or for other similar reasons. The thing that needs to be said, repeated, and emphasized is that we are entering a period of stress and strain in which we shall, if we want to survive and succeed, be obliged to adopt this principle as a constant rather than an intermittent principle of our business policy. If it were possible to make only one point in this book, I should throw everything else to the winds and devote every page of this volume to a discussion of the contention that the first lien on profits should be reduction of prices. I hope to show a little later how thoroughly the reduction of prices underlies the social progress of the future, how completely the freedom of the masses is dependent upon it. Mass production, into which we shall be increasingly driven by business necessity, will force us to the adoption of this principle, thus supporting further the contention of this book that the successful business of the future will be the source of the social progress of the future.

VI

And it is important to understand that, under mass production, the raising of wages will go hand in hand with the reduction of prices. Because usually an ounce of successful practice is worth a pound of even the most convincing theory, I want to quote again from Mr. Ford. He has raised wages and reduced prices at one and the same time, and attained a colossal business success in the bargain. As part of his discussion of his policy of price fixing, he goes on to say that

the payment of high wages fortunately contributes to the low costs because the men become steadily more efficient on account of being relieved of outside worries. The payment of five dollars a day was one of the finest cost-cutting moves I ever made, and the six-dollar wage is cheaper than the five. How far this will go, I do not know. I could probably to-day hire men for three dollars a day for the jobs that the six-dollar-a-day men are doing. We cannot calculate exactly and no one else can, for it is a conjecture, but I would say offhand that it would take two or perhaps three of the low-priced men to fill the shoes of one of the higher-priced men. This would mean more machinery, more power, and a great addition to confusion and cost.

Now, I am not suggesting that we can expect all business men to display the same business vision and ingenuity that Mr. Ford has shown. If that

were possible, most of American business and industry would already be on a basis of mass production and mass distribution. I am only saying that, as necessity forces us into mass production, this attitude toward process and wages will become more and more common. The simplest sort of straight business thinking will lead to it. The human nature of the business man is not going to be changed. His intelligence, which is a product of his breeding and his earlier education, will not be suddenly trebled in quality. But practice and experience are going to do what no amount of theorizing is able to do. As I have said before, in the past we business men have been able to muddle through somehow. But the era of muddling is drawing to a close. In the future it will be a plain choice between business statesmanship and bankruptcy.

CHAPTER VII

TURNING TO MASS DISTRIBUTION

I

IT MAY occur to some that it is by no means inevitable that the distributor will adopt a policy of lowering prices simply because the producer has been forced into mass production and lower production costs in an effort to meet a super-competition. May not mass production, by reducing the cost of goods to the jobber and the retailer, simply give them a chance for bigger profits? May not the distributor simply take personal advantage of the lower prices he will have to pay to the producer, deliberately persist in asking high prices of the consumer, and thereby nullify all the advantage the public might hope to gain from the savings mass production will effect? This is a query that demands careful analysis and straightforward answer.

II

There is no doubt that the benefits of mass production will, for a time, shield the distributor from

the full force of the super-competition that is coming. Manifestly, at first, when the distributor is getting goods from the producer at lower and lower prices, he will not feel the same lash of necessity that the producer is under to improve his methods. He will, for a time, be in a better position than he is in now. Here and there, perhaps, distributors will see in the lower prices they will be paying to the producers only an opportunity to make a wider margin of profit on each article by keeping prices high. But, in the end, this will, I am sure, prove to be a short-lived opportunity.

Up to a certain point the struggle between the producers in meeting the super-competition by mass production will, as I have said, save the distributors from the full stress and strain of the period, because goods will be coming to the distributors at lower and lower prices that will give them a larger leeway of profit. But this "shelter in time of storm" will be open to the distributors only up to a certain point.

Sooner or later, as super-competition forces producers into mass production, the elimination of unnecessary establishments, the reduction of waste, the improvement of methods, and the progressive

reduction of prices, a time will come when the practical limit of these processes will be reached. That is to say, the producers will reach a point where they do not readily see ways and means for further and still further reductions in the costs of production. Then inevitably the producers will turn to a careful examination of what is happening in the field of distribution. All along the producers will know that what happens in the field of distribution vitally affects their profits, but as long as they are able to make satisfactory total profits by improved processes and improved management they will be content to "stick to their knitting" and steer clear of any attempt to mix into the business of distribution which in many respects requires distinctly different qualities of mind and management. But when they have, in a sense, reached the end of their rope in the reduction of the costs of production and still face the challenge of an intense competition, it will be a different story.

If the distributors are doing business at an unholy expense, if their wastefulness is making it necessary for them to keep prices higher than the reduced production costs justify, they will be limiting the market for the producers' output, for,

taken by and large, as prices go down sales increase, and this will inevitably drive the producer into the business of distribution on a larger and larger scale.

If it costs one dollar to produce an article and another dollar to distribute it, the producers, who at present have very little control over distributors, will at first compete with each other in trying to sell more of the article by getting the selling price down to ninety, eighty, or seventy cents by producing it cheaper. But when they have reached the practical limit of their ability to reduce the cost of production, they will be forced to seek profit in the field of distribution. The distributor will naturally resist that. But the producer will be fighting for existence in the super-competition that will be on, and if the distributor does not succeed in reducing the cost of distribution approximately as much as the producer has reduced the cost of production, if the distributor persists in allowing the difference in price to be too great between producer and consumer, the producer will inevitably take a hand in distribution himself.

The producer is already invading the field of distribution, but he will enter it in a more effective way and on a larger scale than ever before. By

this time the distributor will have begun to feel the full force of the super-competition from which he was at first shielded. The entrance of the producer into the field will, of course, greatly increase the competition in distribution. Under such circumstances the coming of mass distribution will be inevitable. The same principles of mass sales with a small profit per article will eventually dominate distribution as they will earlier dominate production.

The plain fact is that one of the great wastes of business is due to the incredibly inefficient methods of distribution. To-day an article usually doubles in price between production costs and what the consumer pays. This does not mean that the distributor is a heartless profiteer. Taken by and large, the retailers' profit is not too great. The indefensible high prices of to-day are the result of inefficient production and inefficient distribution. The difference between what prices are to-day and what they might be is not so much pocketed by producers and distributors as it is wasted. Hope lies in the fact that the coming competition will compel both manufacturer and merchant to eliminate this waste, to the benefit of both themselves and the buying public.

CHAPTER VIII

THE WAR ON WASTE

I

I HAVE said that mass production will mean a ruthless war on waste. This aspect of the situation is so important that I think I am justified in treating it in a separate chapter. This warfare will lead us to a careful consideration of the four aspects of waste which were so clearly stated by the Committee on Elimination of Waste in Industry which was appointed by the Federated American Engineering Societies:

(1) Waste caused by *low production*, due to faulty management of materials, plant, equipment, and men.

(2) Waste caused by *interrupted production*, due to idle men, idle materials, idle plants, idle equipment.

(3) Waste caused by *restricted production*, due to the action of owners, management, or labour.

(4) Waste caused by *lost production*, due to ill health, physical defects, and industrial accidents.

This warfare on waste will not be an emotional adventure in uplift. We business men will simply

see that we cannot survive and succeed in the difficult time ahead unless we eliminate these wastes which now disgrace the managerial intelligence of American industry, make the costs of production indefensibly high, keep prices at an altitude that makes the mere provision of food, clothing, and shelter a burden to the average American, force labour into a chronic fight for higher and higher wages, and block social progress generally.

Careful investigation lies back of the contention that at least fifty per cent. of the responsibility for waste can be placed at the door of management. This cannot go on. Regardless of our sense of social responsibility, we business men will be forced to make careful studies of the possible ways and means of reducing if not removing these wastes due to low production, interrupted production, restricted production, and lost production. That is, if we hope to survive and succeed in the super-competition that is coming.

This is a discussion of a point of view, not a technical book, that I am writing, so I do not want to enter into a detailed analysis of the production and distribution methods that we are likely to

follow in this coming war on waste. And yet, I don't want to dismiss this part of the discussion with the mere statement that we shall be obliged to eliminate excessive waste. Following the outline of the admirable report of the Committee on Elimination of Waste in Industry, from which I have already quoted, I want to suggest in general terms some of the lines of attack that the best managerial and engineering intelligence has suggested.

I should say, in passing, that the war on waste will be something far more revolutionary than a mere adventure in the reclamation of refuse. Business may well be called to repentance upon its refuse heaps, but the war on waste which is coming will mean more than standing at kitchen doors and mine mouths and turning to good use what is now thrown away. I do not mean to minimize the need of watching our waste heaps. A whole book could be written on the millions of dollars that we throw away annually. We need to cultivate a reverence for raw materials that we have never felt. But I am more concerned here to suggest the still greater waste that is due to the fact that we are not doing business upon a really scientific basis.

The war on waste that I am discussing here is a war that will demand more than the assistance of the industrial chemist poking about in our refuse dumps with his retorts and crucibles; I am thinking of a warfare that will demand a pretty thorough overhauling of our economic, financial, managerial, and operating principles and practices, a warfare in which the manufacturer, the merchant, the banker, and the professional manager of both men and materials must join.

Let me at least make a gesture toward the possibilities of reducing the wastes due to low, interrupted, restricted, and lost production. In this discussion I shall, as I have already said, follow pretty closely the lines of the report to which I have before referred.

II

We shall reduce the wastes of low production by exercising a more scientific control of materials. We shall not leave the utilization of raw material solely to the ingenuity of the workman; we shall evolve more specific standards of manufacturing that will guard against the unwise and wasteful use of basic materials.

We shall not allow the idleness of workmen, waiting for work or materials, to mount into millions of dollars annually and be passed on into the price of our products; we shall route work and schedule the movement of materials more carefully.

We shall further reduce the wastes of low production by learning to buy raw materials more scientifically. As the report of the engineers points out,

another waste from inadequate material control comes from the speculative purchasing of raw materials. . . . Fortunes are made or lost in this practice, with a consequent train of evils which affects most of the processes of production, and raises the cost of the product.

The pressure of the super-competition that is coming will teach us the folly of such speculation. It will teach the merchant the folly of speculation that overstocks his shelves as well as teach the manufacturer the folly of speculation that overstocks his yards. We shall decide to be more the business man and less the gambler.

No one has made a clearer statement of the unbusinesslike character of speculation in raw materials than Henry Ford. He says:

I have found in buying materials that it is not worth while to buy for other than immediate needs. . . . If transportation were perfect and an even flow of materials could be assured, I would not carry any stock whatsoever. The carloads of raw materials would arrive on schedule and in the planned order and amounts, and go from the railway cars into production. That would save a great deal of money, for it would give a very rapid turn-over and thus decrease the amount of money tied up in raw materials. With bad transportation one has to carry larger stocks.

The last sentence of this paragraph emphasizes the fact that the extension and improvement of our transportation system will be an important factor in the war on waste.

Mr. Ford goes on to say:

It needs no argument to demonstrate that, if I buy materials at ten cents a pound and the material goes later to twenty cents a pound I shall have a distinct advantage over the man who is compelled to buy at twenty cents. But I have found that thus buying ahead does not pay. It is entering into a guessing contest. It is not business.

If I buy a large stock at ten cents, I am in a fine position as long as the other man is paying twenty cents. Suppose I later get a chance to buy more of the material at twenty cents and it seems to be a good buy because everything points to the price going to thirty cents. Having great satisfaction in my previous judgment, on which I made money, I of course make the new purchase. Then the price drops and I am just where I started.

We have carefully figured out, over the years, that buying

ahead of requirements does not pay—that the gains on one purchase will be offset by the losses on another. . . . It is hard not to fancy one's self a judge of markets, and a certain amount of speculation is inherent in everyone. But in the end speculation will kill any manufacturer. Give him a couple of good purchases on which he makes money and before long he will be thinking more about making money out of buying and selling than out of his legitimate business, and he will smash.

I confidently look forward to the day when we shall be enabled, by the science of mathematics, to predict with a now-undreamed-of accuracy the rise and fall of the market—at least in many basic commodities. The whole history of human thought is a story of bringing more and more of the areas of chance under the jurisdiction of law. Every year we are reducing the number of unpredictable happenings. Ultimately we shall, I believe, be able to know and list the factors that enter into the determination of prices on the market, and by giving to each its proper mathematical weight—which we shall be able to work out from a statistical study of the market over a period that gives the law of averages time to work—we shall arrive at a measurably accurate and dependable method of forecasting the market. Indeed some men are

already making handsome incomes by doing this. Many factors that now are considered artificial and capricious will be found amenable to mathematical calculation. As such a method becomes widely known and used it will tend to stabilize the market and run the speculative buccaneers out of business. I am not thinking of some erratic inspiration of the gambling shark who periodically figures out a way to "break the bank" at Monte Carlo, nor of the conventional work of the various bureaus that now anticipate the market by taking into account weather conditions and a few of the more obvious factors that enter into the determination of prices. We are really still in the Stone Age of business forecasting. Some scientist, animated primarily by the itch to know, may in the future give us the key to business forecasting, just as Franklin gave us the key to electric power.

But all this is in the distant future, perhaps, and in the meanwhile we business men must stand guard over our tendency to speculate in stocks of raw materials and finished products, if we want to reduce the wastes that will handicap us in meeting the super-competition that is ahead.

We shall further reduce the wastes of low pro-

duction by exercising a more scientific control over designs of the things we manufacture and sell. That is to say, we shall push the standardization of articles and parts further and further. Standardization will mean an enormous reduction in the cost of manufacturing and will make possible and profitable an unbelievable reduction in prices.

The report of the committee whose outline I am more or less following in these paragraphs on waste points out the fact that the standardization of the thickness of certain walls, for instance, might mean a saving of \$600 in the cost of the average house. It calls attention to the fact that there are approximately six thousand brands of paper, half of these brands being more or less inactive—plainly a duplication of brands that serves no purpose, no really useful purpose, merely locking up money in unnecessary stock. Magazines and catalogues present a bewildering array of different sizes. It has been estimated that these variations cost the public not less than a hundred million dollars a year.

Mass production will, of course, wage a ruthless war against every variation in design that cannot be defended upon indisputably good grounds. Here-

after we shall have to find a genuinely scientific justification for variety and change in designs. With generally standardized designs we shall greatly reduce the loss of time and money now involved in repair work. Repairs will be done by machine work instead of hand work. By making repairs with standardized machine-made parts we shall make almost incredible savings not only in costs but in the time of men and machines now lost under the laborious and slow system of repairs by hand. That this will not give us a drab and ugly world I shall try to show a little later. We will not be economical at the price of enjoyment.

And now let me lump together into a paragraph still other things super-competition will force us to do in our war on waste. In our campaign to reduce the wastes of low production we shall exercise a more scientific control over production to the end that the time of every workman shall be fully and effectively used; we shall acquire a better knowledge and a better control of costs; we shall spend more time and thought and money on research for better and better methods of judging and buying raw materials, of manufacturing the product, of reducing the number of processes between raw

material and finished product, and of distributing it to the public; we shall exercise a more scientific control of our labour supply, reducing the turnover of labour by better personnel management, and raising the efficiency of labour by developing the educational side of our businesses and industries; and finally we shall rationalize our sales policies so that we shall, for one thing, not encourage the colossal wastes involved in the practice of the cancellation of orders which grows out of the habit of manufacturers of overselling the dealers, overselling their manufacturing capacity, and overbuying from the sources of raw materials.

III

We shall reduce the wastes of interrupted production by many reforms of policy, of which three come readily to mind.

We shall regularize employment and thus save the millions of dollars now annually wasted by the idleness of workmen, enforced and voluntary.

We shall keep our inventories of raw materials and finished goods as low as possible and thus save the enormous waste now suffered through the deterioration of stocks, through raw materials

becoming obsolete and finished goods going out of style, and through the payment of unnecessary carrying charges, all of which follow the unintelligent overbuying of raw materials or finished goods.

We shall know better the capacity of our markets and we shall adapt our plants and their equipment more intelligently to the amount of actual production we carry on and thus save the millions upon millions of dollars now wasted by the idleness of plants that are too big and over-equipped for the job they do. We shall not allow our factories, shops, or mines to be idle part of the time, because the new competition will not allow it and the new management will make it unnecessary.

IV

We shall reduce the wastes of restricted production that are due to short-sighted management by stopping the unbusiness-like practice of resorting to artificial methods and agreements for keeping prices high. We shall do this, not because we shall all have a sudden baptism of far-sightedness, but because, as we are driven more and more into mass production by the stress of the super-competition

that is coming, we shall see that the greatest possible business success will rest upon mass sales and a small profit per article.

And we shall see fewer union regulations that restrict output when labour becomes convinced that standardization and mass production mean ultimately higher wages, shorter hours, better working conditions, and altogether more freedom for the worker. I am referring, not only to any general labour policy for restricting output as a falsely conceived notion that it means more work for more workmen, but to many union regulations which, although adopted from other reasoning, do restrict the maximum possible output of industry.

v

And, of course, under the pressure of the super-competition that is coming, we shall not think of going on under the handicap of the lost production due to ill health, physical defects, and industrial accidents. All this will be lifted out of the realm of humanitarian propaganda. It will be a cold-blooded matter of eliminating the waste from these causes as a necessary preliminary to business success. We might be as hard hearted as Herod, but

sheer self-interest would force us to be more humane than the humanitarians.

On the point of waste due to ill health, the report from which I have quoted states:

In discussing public health conditions there is no clear distinction between the standing of the 42,000,000 persons classed as gainfully employed in the United States and those specifically engaged in industry. The 42,000,000 men and women gainfully employed probably lose on an average more than eight days each annually from illness disabilities, including non-industrial accidents—a total of 350,000,000 days. Of the 500,000 workers who die each year, it is probable that the death of at least one half is postponable, by proper medical supervision, periodic medical examination, health education, and community hygiene.

Assuming that the average life has, aside from spiritual and human values, an economic value to industry of not less than \$5,000, and assuming that the special diet, care, and medical attention required by a man chronically ill costs \$3 per day, it has been estimated that the economic loss from preventable disease and death is \$1,800,000,000 among those classed as gainfully employed—or over \$700,000,000 among industrial workers in the more limited meaning of the term . . . and there is experiential basis for the statement that this loss could be materially reduced and leave an economic balance in the working population alone over and above the cost of prevention of at least \$1,000,000,000 a year.

I need not marshal facts and figures beyond this mere illustrative hint, to prove the enormous waste

caused by faulty and ill-cared-for bodies and by preventable accidents in industry.

VI

It is important, chiefly, to remember that every cent of all these wastes enters into the prices charged and paid for goods and services. You cannot have the walls of your home papered by a paper hanger or your appendix removed by a surgeon without helping to pay for all these unnecessary wastes of industry. For the wastes of industry make prices unnecessarily high, and the high prices that the paper hanger and the surgeon have to pay for the food, the clothing, the shelter, and the luxuries they give to their families ultimately dictate the wages and the fees they ask. It is this that makes the problem of waste a matter of vital concern to the consumer. As a consumer, living in the city of Boston, I cannot afford to be indifferent to the bungling management of an Arizona mine, for bungling management in Arizona goes to swell the causes that make prices high in Massachusetts.

Hope lies in the fact that the super-competition that is coming will enforce a reduction of prices,

and as business men begin to angle for ways and means of meeting the challenge of lower prices by lower production costs, they will set about the removal of these causes of waste.

The coming war on waste will force us out of that extreme individualism that has been a heavy handicap to business. Business has had its "splendid isolationists" no less than world politics. We business men will more and more wage this warfare coöperatively, exchanging experience, pooling our ideas, jointly bearing the cost and sharing the fruit of scientific experimentation for better methods. We will come to know that the independent individualistic production by thousands of manufacturers of even the right thing will result in a wasteful surplus.

I have said little of the waste in distribution which is indeed great and therefore very important. I have not enlarged on this point because the outlook is that the conquest of waste in production will and must come first and that the reforms forced upon production will in turn compel reforms in distribution—and the total saving of waste involved in these reforms will greatly aid in the prosperity and progress of the whole country.

CHAPTER IX

DEMOCRACY AND SUCCESS IN BUSINESS

I

I REALIZE that in every paragraph of this book I am risking my future reputation for sound business judgment. Every counsel of caution has operated to reduce the element of prophecy in this book to the minimum. But now and then sets of factors are so evident that they interpret themselves and seem to compel a frankly dogmatic forecast. I have been dealing with such a set of factors throughout this book, a set of factors that has forced me to two convictions about the future of business and industry which I am willing to stand by without provisos or qualifications beyond those I have indicated. These two convictions are:

First, that business and industry, in order to be financially profitable to employers and employees and socially serviceable to the public at large during the next ten or twenty years, will have to turn more and more to mass production and mass distribution.

Second, that business and industry, in order to insure a permanently peaceful and profitable future, will have to be more and more democratically organized.

And yet the most conspicuous example of an industry practising mass production and mass distribution—the Ford industry—is not democratized, and its lack of democracy seems to be no handicap to its growing prosperity. In fact, its head goes so far as to say that he has no use for democracy in business.

Does all this mean that I am entertaining two mutually contradictory notions about the future of business and industry? I think not. But Mr. Ford's apparent disproof of my belief that the democratizing of industry is both desirable and inevitable needs clearing up, and this is probably as good a place as I shall find to set down very frankly the conclusions about industrial democracy that experience has forced upon me. What I am about to write will be in no sense an attempt to frame a theory about industrial democracy, but simply an analysis of the forces that are, in my judgment, going to compel business men to democratize their businesses.

I am not writing as a theorist making propaganda for his pet idea. I am rather in the position of the weather forecaster. The weather forecaster is not a propagandist for either good weather or bad. It is his business to analyze the forces that are at work and from them to determine whether tomorrow will bring sunshine or rain, storm or calm, fair weather or foul. The very fact of his forecast carries with it, of course, advice as to whether or not we should wear our rubbers and carry our umbrellas. Just so, I want to tabulate and analyze the things that will force us to democratize our businesses and to discuss the practical advice about the next step and the step after that such analysis can give us.

A hundred and one books and a flood of magazine articles have been written during the last few years about industrial democracy. Any business man or any labour leader interested in the matter can readily find an extensive bibliography waiting for him in the files of any good library. There is, therefore, no point to my burning over old ground here. I want to discuss what I may call the "practical politics" of the situation. In short, I want to ask and to try to answer the question:

What are we up against and what are we to do about it?

II

I have given not a few of the best years of my life to the problems of a more democratic organization of business, not in the spirit of benevolence or paternalism, but as part of my planning for a permanently successful business. I am speaking from the inside of the laboratory, not as an outside observer. The whole matter of industrial democracy is to-day at a critical juncture in its development. During and immediately following the war we became quite evangelistic about industrial democracy, and many business men rushed pell-mell into artificially conceived schemes of democratic business organization. We tried to hasten industrial democracy by hot-house forcing methods. We tried to create over-night and by executive order what can only be achieved by the slower processes of growth. We didn't put enough straight thinking into the matter at the time. In many instances, political democracy, with all of its shortcomings, was simply taken over bag and baggage by industry. We seemed to forget that the mere installation of a president, a cabinet, and

a congress, and the granting of a vote do not insure a thoroughly efficient democracy even in politics, much less in business and industry. The most dangerous form of argument in the whole world is argument from analogy. There are many points at which the history of political democracy will help us in our attempt to forecast the future of industrial democracy, but there are also many glaring differences which we ignore at our peril.

Political democracy can muddle through without wholesale disaster because the punishment for its blunders are slow and indirect. Political democracy can always fall back on its taxing power to cover up its mistakes; if a policy in a given governmental department loses or wastes a lot of money, Congress can be wheedled into another appropriation. Industrial democracy must pay for its blunders as it goes along and out of its own pocket; it has no rich uncle in the form of Congressional appropriations to fall back on. Democracy in industry is subjected to a relentless daily audit that political democracy has ways of dodging.

Many business men overlooked this point when they allowed themselves to be swept into the

adoption of many hot-house schemes of industrial democracy, on the wave of wartime enthusiasm for democracy and more especially the urgent need for something or anything that would keep labour contented in such a time when huge profits were possible if production could only be kept going. Just because this point was overlooked, many of these schemes for industrial democracy have not worked. And we are now in a sort of back-wash of reaction against the whole idea. On all hands, men are again saying that business success demands business autocracy, a benevolent autocracy, but nevertheless an autocracy. We have been as uncritical in turning our back upon the idea of industrial democracy as we were emotional in embracing it during the rather hectic war days.

But before long the harshly practical necessities of the business situation are going to compel us again to consider the problem of democratizing our business organizations. I shall get at a statement of what these practical necessities will be a little later on but before I do, I want to suggest two things we business men must do as this issue again comes to the fore.

First, we must study very carefully all the con-

structive criticisms that have recently been made of political democracy. We must wake up to the fact that students of politics are getting past the notion that the random talk fest of a New England town meeting is democracy. Until recently the problem of politics in the United States has been what the specialist calls the *quantitative extension* of democracy. That is to say, the problem has been to extend the suffrage, to see to it that everyone had the right to vote, that everyone was given a voice in governmental affairs. But when woman suffrage was established by constitutional amendment that period in the history of political democracy came to an end. Now the students of political democracy are turning to what they call the *qualitative development* of democracy. And a lot of very sound and very practical thinking has been done in this field, thinking that bears directly on the problem we business men are going to face during the next ten or twenty years.

To put it another way, heretofore the one big question about political democracy has been: How can we get it? Now that the right to vote has been made universal, the big question about political democracy is: Now that we have it, what

are we going to do with it? This is the problem with which students of government are sitting up nights. Now if we business men keep in touch with the latest and best thinking that is being done on political democracy, we shall not make the mistake of thinking that to democratize industry means turning the shop over to a referendum sort of control by everybody from the janitor up, regardless of knowledge or skill or sense of responsibility. In the cases where our attempts at industrial democracy have failed during the last few years, much of the reason for our failure has been that we were trying to adapt to industry notions about democracy that were already disproved in politics.

A second thing we must do is to think straight on our own problem. The last place where we can afford to be sloppy or sentimental in our thinking is in our dealing with the problem of industrial democracy. The business man who sets out to democratize his business simply because he has decided that it is theoretically right to give workmen a voice in the business they are helping to build, without the most careful consideration of the innumerable practical issues involved, is prob-

ably taking a short cut to the bankruptcy court. We must realize that the first obligation of any scheme of democratic organization is to make the business succeed. If any given scheme of industrial democracy, however right and just it may be in theory, fails to achieve an adequate production, to make possible an adequate wage, and to insure a reasonable profit, it is suicidal for the workmen to demand it and criminal for the employer to foist it upon them, simply because he has become an advocate of it in theory. Business democracy must be a workable democracy. If we think straight on this matter, we business men are going to have the opportunity during the next few years to make a contribution not only to industrial peace and the continuing success of our businesses and escape the slowing down that comes from undue friction between employer and employee, but maybe politics will learn a lesson from our experiments.

I know from experience and long study of American businesses the limits of pure democracy in business. I think I could write as good a brief against industrial democracy as any man alive. I have seen industrial democracy unnecessarily

slow down the rate of progress toward desirable goals. I have seen the mass of workmen in a fairly democratized business insist upon going back and making all the mistakes that their leaders had made when they were younger and on the make. I have seen the workmen and many of the executives in such a business stop their leaders when they were just on the point of realizing rapid results that would have been to the benefit of every man and woman in the business. I know the impatience the man at the top in a democratized business frequently feels when he sees ways he could cut this or that Gordian knot and take short cuts to specific successes if he could act with autocratic authority. I know how the leader in a democratized business chafes under the restraint of his fundamental agreement to go only as fast as he can carry the mass of his associates in management and the mass of his workmen with him. I know all this. And yet, I am more convinced to-day than ever in my life that the permanently successful business will have to rest upon a more democratic relation between employers and employees.

I should like to say and repeat and emphasize

the fact that the only kind of thinking about industrial democracy that is worth the trouble is the kind of thinking that regards a more democratic organization of business and industry as part of sound planning for permanent business success. To date industrial democracy has been pretty much the plaything of theorists. Of course, thousands of business men have experimented with this or that sort of shop committee, English business men have made the grand gesture toward the Whitley Councils, and there are many variants on these schemes, but most of them have been adopted out of sheer opportunism to meet special situations growing out of war conditions or times of particularly harassing social unrest. But mere playing with industrial democracy, in the sense of throwing a temporary sop to discontented workmen, is really unworthy of sound business leadership. Industrial democracy is either a sound principle of business organization that will put industry on a firmer foundation or it is a species of compromise with unrest that is dangerous to the future of business.

Now the last thing I want to seem to suggest is that the democratizing of business is an easy

thing. It certainly is not. It is not a problem that the individual business man can wholly solve regardless of what other business men may do. A single democratized business in a world of autocratically controlled businesses would be in very much the position of Soviet Russia among the other nations that are frankly upon a capitalistic basis. It would be an object of suspicion to the other businesses. And the business world is a very interdependent world. Much depends upon the harmonious relation of its units.

Of course, no one will think that I am suggesting that industrial democracy and Sovietism are alike or identical. The industrial democracy I am discussing has nothing to do with the Cubist politics of class revolution. I was only searching for an illustration of the handicap that rests upon any single institution that differs greatly from the prevailing fashion among like institutions.

So the advance of industrial democracy is not just a question of propagandizing for the idea. It is not simply a question of this or that business man's willingness or unwillingness to try it. The democratizing of business and industry is dependent upon a thousand and one factors outside

the shop in which it may be tried. Its success is dependent upon innumerable questions of finance, credit, effective competition with autocratically organized businesses, and the like. It is dependent upon a thousand and one individual experiments, the success of which alone can lift industrial democracy out of the realm of business theory into the realm of business practice.

As I read over what I have just written, I realize that it seems to discourage needed experimentation by individual business men. When the average man is told that a given problem cannot be solved except as part of the whole social advance, he is likely to feel that he is relieved from the duty of independent experiment and resign himself to waiting for some mythical millennium. Of course, I do not mean to encourage any such lazy running away from the problem. Nor do I mean to overlook the fact that courageous, careful, and wise experimentation in industrial democracy by the individual business man will help him greatly in meeting the super-competition that is coming.

I mean only to emphasize the fact that the general democratization of industry is not to be achieved by the simple device of issuing an execu-

tive order that the men in the shop shall have a vote on the conditions in the shop.

III

I have said that I believe that the permanent success of business in the future will depend upon its being organized upon a more and more democratic basis. Before going any further it is necessary for me to say, in the clearest possible terms, just what I mean by industrial democracy.

I have just finished a careful reading of the results of an extensive research into existing plans of democratic organization in American businesses and industries. The research covered not only detailed studies of plans now in operation but also many plans that have been tried and scrapped in favour of a return to the old system; it further recorded the detailed opinions of a large number of the most important business men and industrial students in America, as well as giving a careful digest of existing literature on the subject. The first thing that impressed me in reading the results of this research was the utter lack of any common understanding of, or common agreement upon, the meaning of the term "industrial democracy."

To one man it means merely an astute method of flattering employees into believing that they are advised with on policies without according to them any real power in decisions, to another it means only extending the right of criticism to employees, to another it means chaos and anarchy, and to another it means a complete shifting of the ownership of industry from employers to employees. In short, it seems to mean anything and everything from benevolent paternalism upon the part of employers to sweeping usurpation upon the part of employees.

Here and there a clearer conception emerges in the minds of certain employers and in the organization charts of certain existing experiments in industrial democracy. But at every turn in the report of this research one runs into loose thinking, careless phrasing, muddy definition, confused and conventional outlook upon the industrial future, a widespread lack of clear conceptions of ownership and management, and a tendency upon the part of many employers to theorize irresponsibly about what employees want or need.

Here is the first hurdle to be cleared. What do we mean by industrial democracy? Unless we know what we mean by the phrase we shall wander

forever in a fog of indefiniteness. I can speak only for myself. When I use the term "industrial democracy" I mean that form of industrial organization in which the employees have an adequate voice in the determination and control of the conditions of work, an adequate stake in the results of work, and as near as humanly possible a guaranty that the management of the business shall be efficient. An inefficient management may so reduce the total distributable income of business that even a perfect guaranty of a just share of the rewards of work to the workers would mean little. But this definition, I realize, means exactly nothing unless we know what we mean by the word "adequate." Well, by the word "adequate" in this connection I do not mean a degree of right or authority or control that can be determined upon the basis of theoretical justice; I do not mean a degree of right or authority or control that can apply to all industries alike; I do not mean a degree of right or authority or control that should or can be the same at all stages in the development of an industry. I mean by the employees having an adequate voice that they should have the greatest degree of power it is possible to grant consistent

with the continuing success of the business. The moment industrial democracy fails to sustain and increase the production and profits of an industry, it ceases to be valuable to the employees no less than to the employers. An "adequate" voice in industry must mean different things at different stages in a given industry. The extent of the voice must depend upon the ability, the training, and the sense of responsibility of the employees and the executives, and upon the practical results in terms of production and profits. And it must depend upon many factors outside the industry in question as I suggested earlier.

But it is not the ultimate goal of a theoretical industrial democracy that I am discussing here. I am dealing here primarily with the immediately urgent and practically possible steps we business men will have to take during the next few years in order to maintain industrial peace and efficiency. So let me get at the discussion of the "practical politics" of the situation.

IV

I am here arguing, not that industrial democracy is either right or wrong, but only that it is inevi-

table. Why is it inevitable? I think the answer lies pretty clearly on the surface of affairs. Since the Industrial Revolution of a century and a half ago our industrial civilization has increasingly divided mankind into two distinct classes—the boss and the bossed. Before the Industrial Revolution the workman owned his tools and his raw materials; he owned the finished product and received the profit from its sale or barter. But with the coming of the machines he lost his independence and had to begin working for an employer. But all the while that industry has been developing in the direction of autocracy, politics has been developing in the direction of democracy. That is to say, while men were being given a less and less voice in industry, they were being given a greater and greater voice in government. Here, then, was going on an arbitrary division of men's lives into two sections, each ruled by a principle that was exactly opposite to the principle that was ruling the other. It was inevitable that men who were being told in every political campaign that they were sovereign citizens with a right to a voice in the conduct of public affairs would sooner or later ask why they were denied a voice in the conduct of the affairs

of their workshops which, in reality, more nearly determined their lives than did the conduct of the affairs of their government.

What, after all, lies at the bottom of industrial unrest, strikes, and all the varied manifestations of the movement for a greater voice in industry by the workers? I do not want to seem to oversimplify what is manifestly a very complicated problem, but I am convinced that there is one element in the worker's mental attitude that may be regarded as a root cause. And that, stated without flourishes, is this: Consciously or unconsciously he does not like to be "bossed." Especially men do not like to be bossed in such matters as wages and hours and conditions of work upon which the achievement of so many of the satisfactions of life depends.

Now when you give to men who do not like to be bossed, but whom you have been bossing industrially, the power to boss you politically, and when they realize that they can get very definite material advantages by bossing you politically, you have set the stage for a contest that will not be stopped by any instrument or policy of mere opportunism. This is exactly the situation to-day. Employees

not only have political power but they outnumber the employers so far that, given anything approaching a consciousness of their power and a solidarity of purpose, employees can get by political means most of the things that they are unable to get by industrial means. They can control governments by concerted action at the polls and by their blocs in legislative bodies. The dictation of the taxation policy of a government, we must never forget, is a weapon that can reach far back into industry.

To put it bluntly, then, industrial democracy is inevitable because political power has been given to the masses. If they cannot settle their issues inside industry by industrial methods they will go outside industry and settle them by political methods. This is exactly what the farmers are beginning to do through the agricultural bloc in Congress. This is exactly what is happening in England where labour has formed a strong political party. I think that the place to settle the issues of industry is inside industry, and I have been forced to believe that this cannot be done effectively except through a more democratic organization of industry.

I know what the reaction of many business men to this assertion will be. They will say that I have overstated the case for industrial democracy. They will say that the rank and file of workmen are simply not interested in having a greater voice in industry. They will say that the rank and file of workmen have been satisfied with their status in industry; that there has never been any serious desire for change except in the direction of higher wages and shorter hours. They will say that the average worker neither desires to secure nor is qualified to assume greater responsibility in the conduct and risks of business.

I cannot help feeling that this represents a rather irresponsible theorizing about what the workers want. This is exactly what slaveholders have always said whenever the abolition of slavery has been suggested. They have said that the slaves did not want freedom and responsibility, that they were satisfied with the bed and board and protection they were receiving. It is perfectly true that a mere emancipation proclamation cannot overnight transform into an effective citizen a slave whose political capacity, however inherently slight, has been atrophied by disuse during a life-

time of slavery. It is easy to say that the workers are not, taken by and large, qualified to assume a share in the responsibility and procedure of management. We must remember, however, that it has been by the grace of opportunity and experience that we employers have been able to function as the managers of industry. Even the most successful of us are not miracle men; we are simply men whose latent abilities have been called out and disciplined by the managerial opportunity that has been ours. We must not forget that the employees of our industrial civilization have, for the last century and a half, been shut out of the inner councils of industry. Such an exile from the inner circles of management inevitably does to the latent managerial ability of workmen what slavery does to the latent political capacity of the enslaved. We simply do not know how much latent business ability is locked up in our employees; we do not know what interest in the business, what sense of responsibility, and what managerial ability they would display under a form of organization that limited the present secret diplomacy of business and afforded to employees a freer access to the counsels and control of industry. It is unbusiness-

like and unscientific for us to content ourselves with mere theorizing about what employees want.

It may be that employees have been satisfied, or at least controllably dissatisfied, with their status in industry, but the problem has shifted to a more definite basis and assumed a more urgent aspect since the war. Since the war the masses everywhere have become more keenly aware of their political and economic strength. There is a new sense of solidarity among the masses who had to pay the human costs of the war. Part of this sense of power and solidarity is due to what we preached to the masses everywhere during the war. It is important to remember that every time the masses have become conscious of their power and have achieved a sense of solidarity, they have inaugurated a new epoch in history.

The most superficial survey of the present activities of organized labour and organized farmers, both in economic undertakings and in legislative blocs, proves the existence of this new sense of self-importance and solidarity which I have just suggested. It is this new mental attitude of the employed masses which, in my judgment, makes the coming of a more democratized industry

inevitable. I want now to work out in a little more detail just how the present situation is making for industrial democracy. And please remember that I am discussing the practical politics rather than the perfect theory of industrial democracy.

v

This new sense of self-importance which has come to the masses with the achievement of political power and the new sense of solidarity which the common sacrifices and disappointments of the war brought about together constitute a very great force driving in the direction of industrial democracy. This new sense of power and solidarity has first expressed itself in terms of a desire for more money, for higher wages, for bigger salaries. But it does not stop with this. It is natural that men should feel that if they had a greater voice in the conduct of industry they could more easily secure the higher wages and the bigger salaries. Thus the desire for higher wages merges rather quickly with the desire for a better position or status in industry. It is this often blind and incoherent feeling that a more important position in industry would insure to the workers a greater

share in the rewards of industry that is one of the most important factors making for industrial democracy.

There is, of course, an element in this situation which acts as a check upon the desire for industrial democracy. This hunger for higher wages and bigger salaries grows by what it feeds on. At first this hunger may turn men into ardent if not radical advocates of a quick and complete democratization of the control of industry. The existing order of industry, however, is always on the lookout for administrative ability, and as fast as this hunger for increase in income and for advancement in position stimulates individual workers to a display of conspicuous ability they are taken over by us employers and paid incomes that unconsciously wean them away from their earlier radicalism and conservatize them. Thus the existing order of industry tends to drain off much of the ablest leadership from the masses by giving it both the money and the position for which it hungers, leaving the leadership of the masses, in many instances, to what has been called administrative rejects. This does not necessarily mean that the leadership that is left to labour is incompetent; it

may mean only that many labour leaders, however able, have been denied that experience in the administration of industry which would make them far better labour leaders. I do not want to be understood as suggesting that we employers are constantly going about with a sinister intention of bribing brains away from devotion to the interests of labour. I mean only that in the normal run of things the very hunger for money and position, which is a driving force toward industrial democracy, drives many of the ablest men out of the camp of labour into the camp of capital. Thus we have the new consciousness of power and the new hunger for money and position which to-day characterize the labouring masses acting as both a cause of and a check upon the movement toward industrial democracy.

But these things are after all incidental aspects of the situation; they are eddies, not the current. The fundamental factor to be considered is the thing I stated a few paragraphs earlier, namely, that through political democracy we have put political power in the hands of employees who far outnumber employers; these employees are now more aware than ever before that they have this political

power and that with it they can get many if not all of the things they have been unable to get by industrial methods. In order to meet this situation employers must either turn themselves into politicians at their state capitols and at Washington or into statesmen in their own establishments. That the latter is the wise and business-like choice is the belief that underlies this whole analysis.

VI

As I see it, there are two serious obstacles to a development of industrial democracy. If I may state them bluntly, they are: First, the ignorance of employees, and second, the ignorance of employers. Let me hasten to explain what I mean in order to clear myself of any possible charge of flippancy.

One of the great obstacles to industrial democracy is the fact that, on the whole, employees apparently do not have a very clear idea of what they are after. That is to say, the average labouring man and the average labour organization appear to have only a general idea that if the workers exerted a greater measure of control over the conditions of industry, they would secure a

greater share in the results of industry. But there seems to be nothing approaching an agreement upon the idea of a definite goal or of the successive steps leading to any definite goal. This is in no sense an indictment of labouring men as labouring men. There are perfectly clear reasons why this is true. It is due to inexperience; it is due to the fact that workers have not been obliged to carry responsibility in the industry of the past; it is due to our faulty education that does not train men to think clearly between cause and effect.

But without a clear sense of a goal and a practical programme of successive steps leading to that goal, even right things of basic importance to the workers, are likely to be opposed by the workers. To-day, for instance, our conventional trade unions are opposed to the statesmanlike development of industrial democracy. Trade unionism is to-day a fighting organization without an adequate philosophy of industrial administration. It is interested in this and that battle, but it seems to have no clear notion of what the whole war is about. I do not say that all this is the fault of the workmen; we are all guilty of making industry a battleground. It

has perfected a technic of industrial warfare, but it has not yet tackled the more fundamental problem of industrial administration.

What are the workers in present-day trade unionism after? Do they want coöperative shops? Are they willing to invest in competitive enterprises, the future of which is likely to be determined by the mass use of the political vote? Do they want government ownership of industry? I look in vain through the pronouncements of trade unionism for any general agreement on a comprehensive and statesmanlike programme beyond the perfectly legitimate and necessary organization for a struggle for improvement in matters of wages, hours, and working conditions. If we are to work out this matter of industrial democracy along lines that will help rather than hamstring the industry of the next ten or twenty years, the time has come for the formulation by labour of a broadly conceived, constructive industrial programme.

But can any better case be made for the employers? Have we employers, on the whole, worked out any more definite notion of the respective rôles we and our employees should play in the industry of the future? I am forced to believe that, taken

by and large, we employers have no clearer notion of what we are after than have our employees. Too many of us have been simply blundering along mistaking size for success and thinking that the secret of business success lies simply in producing or buying low and selling high. We, too, have been fighters without a philosophy. It is only accurate to say that in our case our ignorance has been in a certain sense helpful, for in playing for mere size in business we have been unconsciously setting the stage and creating the machinery for that mass production and mass distribution in which I believe so much of the hope of the future lies.

In giving ourselves over unduly to the desire for money, too many of us have become either slaves of our money making or addicts to ways of spending money that rob us of that confidence of the masses which we must have if we are to contribute our share of effective leadership in the industrial democracy which is inevitably coming. When the masses see employers spend the first three quarters of their lives in a mad race for money and the last quarter of their lives lavishing money on philanthropies that deal mainly with effects, seldom with causes, they begin to think

that men who are so illogical in the way they spend their money must have been illogical also in the way they made their money. Men are inclined to look upon such successful business men not as big men but as merely fortunate men, men who have made their money by a bag of tricks rather than by any great industrial vision or ability. Manifestly this is not conducive to an atmosphere of confidence which the most effective working out of industrial democracy demands.

Now the old-fashioned captain of industry is not the sort of man who will make the big business success of the future. He is a hangover from the period when the forces making for industrial democracy were not the insistent factor they are to-day. This is not said in criticism of the employers of the past. They acquired their habits and made their success when they were not challenged by the democratic tendency which is to-day compelling the business man who wants to succeed to think out his problems from a new angle. The new forces I have suggested are developing rapidly. We are now in a period when months and years really represent decades of normal periods. The ranks of employers, like the ranks of

employees, are short of leaders who have adapted or are adapting themselves and their businesses to leadership in the present inevitable movement toward industrial democracy.

VII

Now let me state what seem to me to be the practical steps from the employer's point of view that must be taken if industry is to be wisely and safely adjusted to the oncoming democracy.

First, business men must become really convinced that industrial democracy is inevitable. They must see conditions as they are now, not as they have been during the last twenty years when they made their success. Business men must realize that the problem of industrial democracy is now out of the field of theory and in the field of the practical organization of business, for the reason I have already stated, namely, that you cannot democratize the politics of a country without sooner or later democratizing the industry of the country. If you do not follow political democracy with industrial democracy, the masses will, as I have said, use their political power as a means of getting their industrial desires. And this is always

a costly and unbusinesslike procedure. When you give a group power over industry, the only way to make that power safe is to give the group responsibility in industry.

Second, business men must satisfy themselves that success in business and adequate profits will not only not be interfered with but will be greatly helped by a business democracy that removes from the workers the feeling that they are shut out from the inner councils of business where the decisions that determine their lives are made; business men must see that any such organization will greatly cut down the friction which to-day compels executives to spend so much of their time and energy upon negative tasks of discipline, that such organization will free the time and energy of executives for the more creative and more directly profitable work of the business.

Third, business men must realize that the big business successes of the next twenty years will be made by the men who conduct their businesses, first, last, and all the time, from the standpoint of service to the consumer. They must attempt to create and conduct great businesses that will be successful because they lower prices and raise wages at one and the same time, with the result that the

masses in general will have increasing economic freedom. It is only out of the soil of economic freedom, made possible by businesses and industries that both raise wages and lower prices, that we can expect a generation of workmen to arise with the education and training that will justify their assuming the share in the conduct of industry which employees will increasingly demand and get. Regardless of even rapid improvement in the relations between employers and employees, there will be industrial struggles for years to come, because both sides are human. But more and more the deciding voice in such struggles will be public opinion. If, therefore, our businesses are conducted from the standpoint of service to the consumer, if our businesses make for the economic freedom of the masses, public opinion in the event of strikes will be less and less inclined to look upon an industry as one of two strangers fighting in its front yard when a labour difficulty is on. The public will feel it has a stake in the business, will feel that the business is one of its social institutions, and will be likely to do the wise thing by it. But business men must not think that because they are acting from high ideals they are less obligated to

succeed financially. The business man of the future must be highly successful if he is to be of any value in the leadership of industrial democracy.

Fourth, business men must, for the time being, be as autocratic as necessary and as democratic as possible. In the intense competition that lies ahead, an arbitrary and wholesale turning to pure democracy in business would handicap industry, because the masses of workmen, flushed with the wine of new power, would almost surely insist upon going back and making all the mistakes we employers made when we were at the beginning of our careers as administrators. Then, too, we must never forget, as I have said earlier, that the present-day workmen are the products of a century and a half of isolation from the facts and functions and responsibilities of management. Experience cannot be imparted to them instantaneously by executive order. I think, therefore, that even benevolent feudalism, unsound as it is as a permanent basis for business policy, may be important and necessary at this stage in our industrial development. What I mean is that just now a benevolently autocratic business that succeeds in paying high wages, maintains good working conditions, and sells its

products at a hitherto unapproached low price is contributing far more to the future of industrial democracy than a wholly democratized business that is inefficient, a democratized business that does not succeed in paying high wages, maintaining good working conditions, and effecting a progressive reduction in prices, a business that has been democratized faster than the ability, training, and sense of responsibility of its workmen and its executives justify. This is true because the supreme need of men just now is financial and economic freedom; men whose minds are wholly taken up with the job of making both ends meet, have neither the time nor the freedom from anxiety that might enable them to think out or make contributions to the business.

Benevolent autocrats like Ford, despite their disbelief in democracy, are, therefore, the pioneers of efficient industrial democracy because they are making possible, through their high wages and their low prices, an economic freedom which will give the masses the chance to cultivate themselves in this generation and, more important still, to educate their sons and daughters so that the masses of the next generation will be able to assume more

safely the responsibilities of a more democratized industry, and to become better citizens of our political democracy. I cannot emphasize this point too strongly. The combination of higher wages, shorter hours, and lower prices is far more important *at this stage* than any arbitrarily installed scheme of industrial democracy. This combination alone can give to the masses that margin of leisure and that margin of income which will make possible an enrichment of the minds and lives of the next generation of workmen. And industrial democracy can never succeed except in the hands of better educated and better trained executives and workmen. I am not throwing mud at the workmen of the world; I am not speaking of them in a patronizing or condescending manner; I am only saying of industrial democracy what has long been accepted as a truism regarding political democracy. Political democracy succeeds only as the level of education is raised, and as I have already said, this is even more important in industrial democracy because the results of a blunder in industry are more quickly serious to all concerned than is a blunder in politics.

I do not want to be misunderstood at this point.

If I were buying stocks or long-term bonds, and could choose between an autocratically and a democratically controlled business both of which paid high wages, maintained good working conditions, and sold their products at the lowest possible price, I would pay a higher price for the stocks of the democratically controlled business. I would do this because, while I should expect profits from either business, I would feel more certain of my capital in the democratically controlled business because it would, in my judgment, be better fitted to meet the changes that I think are bound to come during the next ten or twenty years. I would feel that in the democratically controlled business I was getting a sort of insurance on my capital for nothing. In saying the good words I have said about benevolent autocracy in business, I hope I have made it clear that I do not consider autocratic control as a sound basis for a permanent business policy. The only point I have tried to make is that the economic freedom for the masses which a benevolent business autocracy can make possible is fundamentally important in the transition period while we are learning how to make democracy work, and while workmen are using

their economic freedom to give to their sons and daughters the sort of education that will fit them for greater and greater responsibility in industry. May I end these paragraphs as I began them by saying that, if we are to achieve industrial democracy, business men must now be as autocratic as necessary and as democratic as possible. This is, I realize, a treacherous sort of statement to make. We business men are so likely to take such counsel as an excuse for continuing an autocracy of control as a sort of smoke screen behind which to hide an uncreative and shortsighted sort of business planning. That is, we are likely to take to heart the first part of the counsel and ignore the last part. The public service and financial success of the business men of the next ten or twenty years will depend upon the skill with which they are able to combine the least possible autocracy with the greatest possible business success. But in our effort to retain the degree of control that is necessary for the assurance of great success and stability during the next few years we must never forget that the long look ahead demands that we here and now begin to experiment our way toward a more democratic organization. And this brings me

to the fifth step in this sequence of steps which we business men must take.

Fifth, business men must begin at once to experiment with the methods and machinery of business democracy, going as fast and as far as may be possible without interfering with the thoroughly successful operation of the business. We must not allow any theoretical belief in the rightness of democracy to induce us to go faster or farther in the direction of democracy than the successful operation of the business permits. In business it simply is not true, as it may be in politics, that self-government, although inefficient, is better than good government at the hands of others. Let us remember always that the economic freedom of the masses is the starting point for all future social progress. And economic freedom, as I have said so many times, is impossible save by the grace of a business system that is so soundly organized and so successfully operated that it can progressively raise wages and lower prices. But any necessity for benevolent business autocracy, as a sort of transition economics, must not blind us to the necessity of prompt and sincere experimentation in ways of democratizing business.

Every honest democratic experiment, even though it may be timid and tentative, which succeeds tends to give workmen confidence in their leaders, tends to convince workmen that they can settle their issues inside industry by industrial methods instead of going outside industry and fighting with political weapons. Many business men shy at the idea of industrial democracy because they feel that "free men will not submit to leadership" and leadership, they contend and contend rightly, is imperative in business even more than in government. But the point I am trying to make is that every sincere and successful experiment in industrial democracy gives workmen an increased confidence in their employer leaders and causes them to give these leaders freedom to lead. In addition, every time we give workmen a look-in upon the inner problems of business we give them a sense of the difficulties of management which they can never appreciate as long as they are mere "hands" in the business. The net result, as a score of practical experiments have demonstrated, is that the criticisms made by the workmen tend to become less and less negative and more and more constructive. As long as we—

employers and employees—work in the dark we shall fight in the open. The better we know each other the better we shall understand each other, the less we shall be tempted to call each other barons and bolsheviks respectively. Every instrument and policy of common counsel and common action that we can devise, consistent with the continuing success of the business, is a step in the direction of less friction and less waste, a step in the direction of sounder business. The fifth step, then, that I suggest is that we experiment with business democracy, but that we experiment wisely and carefully, refusing to give any mere theory its head, testing each step by its results, asking at every turn—does it work? Of course adequate time must be allowed for the test. I believe that any business man who does not so experiment, during the next few years, will be a bad business man, a short-sighted business man, a business man who will be less and less able to meet the competition of the business men who do experiment courageously but carefully with the democratization of business. Such a business man will be handicapped because he will have more friction in his business and he will be unable to attract

the best type of workmen who will prefer employment with the business men whose honest experimentation breeds confidence.

Sixth, when the business men who have taken the five preceding steps and have become rich enough to take greater risks—I mean greater personal risks—they should foreswear the common temptation to devote all their free time and free money to outside charity or philanthropy and should turn their time and money back into their own businesses in an attempt further to develop the ideas of service and democracy. That is to say, we business men should realize that perhaps the biggest public service we shall ever be able to render will be in and through our private businesses. It is regrettable that just when the business man reaches the age when he should be best equipped by wide experience and the disciplines of a lifetime in business to assume real leadership in the enrichment and better adjustment of business policy to the times he is taken up into a high mountain and tempted. He is tempted to retire and “enjoy himself after his hard work.” He is tempted to become a mere routinier, letting well enough alone, leaving his business

which has been a pioneering adventure, it may be, and contenting himself with a coupon clipping sinecure. Or he is tempted to dissipate his energies in a score of arbitrarily selected "public activities" that lie far afield from the business he knows best. These public activities may every one be highly valuable, but they are in most instances things that can be done as well by other men, perhaps by men who began life with great inherited fortunes and upon whom, as Theodore Roosevelt suggested, rests most heavily the obligation to render unpaid public service. The important tasks of experimentation in the human organization of business, however, are tasks that can be safely and sanely undertaken only by responsible business men whose hands are actually on levers of power and who have behind them a lifetime of experience that will prevent their thinking a theory of industrial relations should be adopted instantaneously and *in toto* just because it is right in the abstract.

VIII

Let me try to bring together into a brief summary the conclusions about industrial democracy I have just been stating at some length.

I believe that industrial democracy, under which employees will have an adequate voice in the policies of industry and an adequate stake in the profits of industry, is inevitable. I believe this, not because industrial democracy is theoretically right, although I do believe it is theoretically right, but because we have committed ourselves to political democracy, because we have given to the masses of employees who far outnumber the employers a political vote with which they can get anything and everything they find themselves unable to get by industrial methods.

But I do not believe that the masses of employees are yet well enough educated and well enough trained to make industrial democracy succeed were it arbitrarily and fully installed now throughout industry. But in the end it will be inevitable. It can come now in special cases where the employees and especially the executives are carefully selected with a view to the qualities and training that will make it a success in the industry in question. But before it can come generally and succeed generally there must come an adequate education of the masses. This adequate education of the masses can come only after we have insured

to the masses a far greater economic freedom than now obtains.

The surest and quickest way to insure this economic freedom to the masses will be found to lie through the shifting of American business and industry to a basis of mass production and mass distribution which will make possible simultaneously the raising of wages, the shortening of hours, and the lowering of prices. If we can raise wages and lower prices and, in addition, make a shorter working day general, we will thereby make an adequate education the common property of the masses. With that achieved, industrial democracy will be not only inevitable but safe and profitable.

In the meanwhile it will be both profitable and wise for every employer to experiment his way toward industrial democracy just as fast as he can while maintaining the efficiency of his business. Therefore, the hope of industrial democracy lies in the great employers who know how to mix courage and caution in their experiments in industrial relations during the next few years.

I know that this will seem to theorists a hopelessly unenlightened, conservatively opportunist,

and thoroughly capitalistic programme, but I am convinced that it is the practical programme that will really lead us to a workable democracy in industry. We must resist the temptation to theorize glibly about a perfect industrial order and hold ourselves responsible for reasonable progress toward the improvement of our confessedly imperfect industrial order.

IX

I can not conclude this discussion of industrial democracy without calling attention to a few collateral considerations which I have not discussed in the analysis so far.

One of the dangers of industrial democracy is that, in its operation in individual industries, it will educate from the bottom up instead of from the top down. I have known business institutions that set out sincerely to experiment with industrial democracy. In the institutions I have in mind the impulse toward a more democratic organization came from one or two men at the top. In their planning they laid all their emphasis upon educating the rank and file of the employees, paying very little attention to the problem of educating the

executives and sub-executives in democratic principles. The result has been that sooner or later educated workers have run against a stone wall of uneducated executives.

This means that the great employer who wants to put his business upon a more stable basis by effecting a more democratic organization must be careful to surround himself with associate executives who share the vision and sympathize with the purpose of experimentation. Otherwise he may find that the very fact of democratizing the control of the business will years later put him at the mercy of associates who are satisfied with the progress they have made, or who want their time and money free for outside activity and who will checkmate his effort to push his democratic experiments forward at the very time when the soundness of the business and the increasing capability of its employees justify a further step. He may find that the only way he can continue his career as a creative executive, that the only way that he can gain the freedom to adjust his business more and more wisely to the oncoming democracy, will be to start an additional experiment with a new group of associates whose habits of life and thought are more flexible,

whose purposes and desires more nearly accord with his, men whose minds see the necessity of adjusting business policy to the changing times.

Another vital issue upon which industrial democracy will have a definite bearing is the transmitting of the control of a business at the retirement or death of its head. The question is always: How can the strength and success of the men who have made a business be conserved and transmitted to their successors without transmitting their weaknesses and failures? The thing that usually happens is that a business is sold to the highest bidder when the founders or owners become incapacitated or die. When such a sale is made by the owner in a moment of tiredness or disability or by the executors or heirs after his death the business is likely to go into the hands of men who are the highest bidders, rather than the hands of men who are selected for their special fitness to administer the business and to adjust it progressively to changing conditions. It is not sound to leave the future of a business to the chance of purchase or the chance of inheritance.

I believe that the development of industrial democracy will contribute toward a solution of this

vital problem. I believe this for the simple reason that any method of organization that will increase the number of men vitally sharing in the conduct and control of a business will mean that there will always be near the top a group of men who will be interested and equipped to carry on the basic democratic and service-rendering ideals of the business, men who will have every reason to prevent, if possible, the business from falling into the hands of sons or relatives who have not been trained for the business or who have been trained in a manner that unfits them to appreciate or administer the ideals of the retiring or deceased head, men who will have every reason to prevent the business from falling into the hands of any purchaser who would merely exploit for profit alone the good will built up by the progressive and democratic policies which they have helped to formulate and extend.

CHAPTER X

FORDIZING AMERICA

I

THROUGHOUT this book I have been ringing the changes on the one idea that must, as I see it, be the starting point for all really intelligent business planning for the future—the idea that the business man who wants to make sure of heightened efficiency, increased profits, and permanent success in the difficult years of readjustment that lie ahead will have to shift his business or industry to a basis of mass production and mass distribution. In short, it seems to me that the challenge the immediate future is going to put to American business men will be: *Fordize or fail.*

If this belief is sound—and I am staking my personal business future and investments upon its soundness—it is only a question of time until we shall be living in a Fordized America. If this is a real possibility, if business necessity is going to drive us whether we like it or not into mass pro-

duction and mass distribution, then the most important social question of our time is this: *What will a Fordized America be like?* What will it mean in terms of the personal future and fortune of the individual men, women, and children who make up our people? After all, people are more important than profits. If the Fordizing of America is to make life less attractive, if it is to turn men into machines, if it is to fasten upon us even more firmly the admitted evils of modern industrialism, then it is nothing short of social treason to suggest it and argue for it as I have been doing on so many pages of this book.

In writing of a Fordized America, I am sure no one will think that I am suggesting that we make Henry Ford the political, intellectual, and social arbiter of American life. There are those who seem to think that the political and business statesmanship of the American future can be provided for by the simple formula of "Let Henry do it." I do not, of course, share that uncritical enthusiasm. I am not trying to put a halo around Mr. Ford's head. I am using his name only as a convenient peg on which to hang this analysis of the probable future of American business and life. I do not

regard Mr. Ford as a miracle man whose judgment is always right on every issue. In fact, I think I have disagreed with Mr. Ford on almost every idea he has advanced except the ideas that have had to do specifically with his vision and accomplishment as inventor, manufacturer, and distributor.

He has, I think, made incredible mistakes in judgment when he has stepped outside his business. If he had brought to the affairs of the world the same engineer-mind he has brought to the affairs of his workshop, his peace ship would never have sailed. I know that he has been misled and hoodwinked in his warfare against the Jew. I cannot follow him in his speculative adventures in currency reform. And I feel very sure that his autocratic control of his employees is not a sound basis for an industry that is to endure. It may be all right as long as he lives. It may even be all right as long as the business is in the hands of a son who has grown up in the atmosphere of his father's intensely practical idealism. But business is, after all, a public trust. We have no right to organize industries so that they are wholly dependent upon our personal vision and good will or upon the personal vision and good will of our immediate suc-

cessors whom we can influence. We have no right to build a business upon principles and procedures that will not be valid and workable after we and our sons are dead or disabled.

So, by a Fordized America I do not mean an America dominated by Mr. Ford's theories of public affairs, but an America dominated by certain of Mr. Ford's theories of business affairs—specifically his principles of mass production, mass distribution, and his primary emphasis upon service to the consumer.

It may be that I am unwise in linking this analysis so closely with Mr. Ford, in view of the widespread reaction against many of his activities outside business. It may be that here and there a reader will throw the book aside when he sees the phrase "Fordizing America," thinking that the book must be inspired by a mind in sympathy with Jew-baiting, fiat money, peace-ship impracticality, and the like. But I have a notion that it is one of the obligations of intelligence to refuse to allow the minor errors of a man's career to overshadow his real contribution to the life of his time. So I am going ahead with this consideration of a Fordized America simply because Mr. Ford has given

us the finest demonstration to date of those principles of mass production and mass distribution which I think are going to figure so largely in the American future. And I think the whole analysis will be simplified and humanized if we keep the Ford example in mind as we proceed. Only remember that it is Ford the producer and not Ford the publicist or politician who is meant.

Now, most of the theoretical students of modern industry think that a Fordized America would be a hell on earth. I think that a Fordized America built upon mass production and mass distribution will give us a finer and fairer future than most of us have even dared to dream. Of course, it is of no value to anybody for me merely to make this sweeping statement. I have to get down to details if this book is to be worth the paper it is printed on. So let me do three things:

First, I want to state briefly and simply the theoretical basis for my belief that we must achieve social progress, if we are to achieve it at all, as a by-product of mass production and mass distribution and the various policies that will be necessary in order to build successful businesses on these principles.

Second, I want to state with complete fairness the indictment of such a machine civilization which the theorist has made. I want to do this in order to have the right background for my own analysis, and in order to give the reader both sides of the case as a basis for his own conclusions.

Third, I want to follow the theorist's indictment of the machine civilization which mass production and mass distribution create with a specific and detailed statement of just what business and social results will come from a wholesale turning to these principles.

II

Now this is the general idea that underlies my whole thought about the sort of America we shall have if we Fordize our entire business and industrial life, if we go over bag and baggage to a policy of mass production and mass distribution.

Mass production and mass distribution, as I have said over and over again in this book, will mean pushing to the extreme limit the principles of machine production, division of labour, and standardization of products. Now when men began to apply these principles to industry in a small way back in 1770 they brought about the Industrial

Revolution out of which modern industrialism came. That revolution, as I have said before, was not a revolution in the sense we commonly use the word. It was not a bolshevik over-turn. It was simply a vast and fundamental change of the whole basis of social and industrial life. But it wasn't brought about by agitators. It was brought about by inventors, engineers, and administrators. This is what happened when men applied the principles of machine production, division of labour, and standardization of products on a small scale a little more than a century and a half ago. Now if we take these same principles and push them to the last limit on a large scale, what will be the result? Well, we shall undoubtedly bring about another industrial revolution, but like the old Industrial Revolution it will be a revolution caused and controlled by inventors, engineers, and administrators. The real revolutionists of the next twenty-five years will not be the bolsheviks but the business men.

The question that leaps instantly to mind is this: If the new industrial revolution springs from the same things that caused the old Industrial Revolution, will the results be the same only on a grander

scale? Are we to see a repetition, only in a more wholesale manner, of all the dire and dreadful social effects that followed the first application of the principles of machine- and large-scale production?

Will the Fordizing of American industry mean its further centralization in ugly and congested industrial centres?

Will it mean the further crowding of workmen into slums that degrade the soul and destroy the body?

Will it mean an even more frequent periodic clogging of the market by over-production?

Will it simply make more certain the intermittent throwing of vast masses of workmen out of employment?

Will it mean the further degradation of craftsmanship and character by making the workman's job more mechanical than ever?

Will it mean that the poor will grow poorer and the rich will grow richer?

If the Fordizing of American industry will mean these things, we might well doubt the wisdom of going ahead with mass production and mass distribution, even though the greatest financial success lay that way and that way only. If mass pro-

duction and mass distribution will mean these things, my hope for social progress as a by-product of successful business rests upon pretty shaky foundations. But is this the outlook? I think not. Let's see.

Although the coming industrial revolution will be brought about because we shall be driven by business necessity to apply on a large scale the very principles of production which, when applied on a small scale in 1770, brought about the old Industrial Revolution, I think it is within our power to see to it that the social effects will be the exact opposite. Here, then, is the great business paradox around which this book is written: *We can repeat the causes and reverse the results of the old Industrial Revolution.* I see a hundred ways in which this paradox will come literally true. But before I set down my detailed reasons for this statement, I want to give the theorist his chance to say why he thinks I cannot possibly be right in such a conviction.

III

Now I know the usual indictment of our machine civilization. I know the black and barren picture which a Fordized America suggests to the theorist.

It is the fashion in theoretical circles to cry out against machines and against all the industrial policies they make necessary as against some personal devil bent upon destroying the race. Our machine civilization hasn't a chance before the bar of current theory. It is adjudged guilty on every count. The theorist looks longingly over his shoulder at the pre-machine age as a sort of Eden. In fact, there is an almost theological tone to much current economic and sociological writing in this field, as if the Fall of Man dated from the Industrial Revolution.

After the manner of a now famous diplomatic document, the theorist's indictment of a civilization resting on machine production, division of labour, and standardization of products, falls readily into "fourteen points." Let me make clear in advance that as a picture of what our machine age has meant to date I agree with most of the fourteen points I am about to summarize. But as a picture of the inevitable future of a machine civilization, I disagree with every one of them. Now let the theorist speak.

First, the theorist says that man has never been able to control machines, that he is not to-day con-

trolling them, and that he will never be able to control them; that a machine industry has a way of growing bigger and bigger, regardless of the wish of the masses of mankind, until it becomes the master and not the servant of man. The theorist says that man started to use machines with the idea that they were simply added tools that would make work and life easier, and that he would use more machines only as he found he needed them to make work and life still easier. But, says the theorist, man soon found that he had made a sad mistake, found that machines have a way of breeding still other machines entirely independent of the human needs of men. For instance, says the theorist, whenever a power-producing machine has been invented, its very existence has forced the invention of power-consuming machines, not because men needed them, but simply because the industrial system had to find ways to consume the power it was producing. Man soon found out, says the theorist, that it was no longer a question of adapting machines to his use, but a question of adapting himself to the endless number of new machines that were being invented. To put it in a nut-shell, the theorist thinks that man signed his death-warrant

the day he began to use machinery, that the development of a machine industry is a vast impersonal process of which mankind is the fated victim, that there is no stopping it until it has mechanized the whole of life and eliminated the human factor as nearly as possible.

Second, the theorist says a machine industry always robs the area in which it operates of all the beauty nature gave it and puts no new beauty in its place. This is inevitable, says the theorist, because industrial centres are designed to suit the purpose of the machines that are running in them rather than to suit the purpose of the men and women who are living in them.

Third, the theorist says that machine industry rapes and ruins and wastes natural resources, insuring a barren world to posterity, that a machine civilization simply hasn't a sense of social responsibility for the generations to come.

Fourth, the theorist says that a machine industry inevitably means a centralized industry, means the destruction of small local industries where men might use inexpensive means of manufacturing and enjoy a highly valuable independence they can never have as mere cogs in the wheels of a great

centralized industry with its gigantic and costly machines that only the great captains of industry can afford. Thus, says the theorist, a machine civilization inevitably divides mankind into two hard-and-fast classes—an ever smaller and smaller group of dominant employers on the one hand, and an ever larger and larger group of dependent employees on the other.

Fifth, the theorist says that machines sooner or later make men not only bad workmen but bad citizens; that the machines make men bad workmen because they slowly turn men into mere automatons that do not need either the initiative or abilities of craftsmanship; that machines make men bad citizens because when men cease being masters of tools and become tenders of machines they lose their old sense of self-reliance in industry, and that they soon lose their sense of self-reliance in other fields of life as well and become tools not only of their boss but of the demagogue in politics, willing more and more to surrender their lives and rights to a paternal state.

Sixth, the theorist says that machines undoubtedly make things in greater bulk and at a smaller cost, but that these advantages are more than

offset by the fact that the things machines make are shoddy and soon wear out. In fact, says the theorist, a machine industry deliberately makes things that are shoddy and short-lived, so that there will always be a demand for the enormous number of things a machine industry is geared up to produce. Things made in mass by machines are not, says the theorist, carefully adapted even to broad human needs much less to the needs and desires of the individual. In short, the theorist says that a machine industry must make things for sale rather than for use, that a machine industry is more concerned in finding consumers who can be wheedled into buying its commodities than in producing commodities that the consumers really need.

Seventh, the theorist says that machines are responsible for the class consciousness and class warfare of our time, that machines will always produce a class warfare. In the pre-machine age, says the theorist, labour was a scattered and unorganized mass of more or less skilled workmen who were living under pretty satisfactory conditions. But now, says the theorist, the machines have robbed labouring men of their old craftsmanship and left them a mass of relatively unskilled workmen increasingly

dissatisfied with the conditions under which they are living, and this dissatisfaction has driven them into class-conscious organization and a feeling that their interests are antagonistic to the interests of the rest of society.

Eighth, the theorist says that machines give rise to all sorts of anti-social organizations such as combines, cartels, and trusts to control the supply and price of things, as well as trade unions to control wages and conditions of work.

Ninth, the theorist says that machines have made possible the modern plutocrat who sooner or later, not content with his control of industry, attempts to control politics, public opinion, education, the Church, and other fields of life.

Tenth, the theorist says that machines are responsible for the sullen and unhappy look that the Oriental, for instance, says is the first thing that strikes him when he comes in contact with the masses in America and Europe. Machines, says the theorist, make a sullen and unhappy people because in a machine age men miss the happy, pleasurable, and creative moods that come to a man when he is a real craftsman and not the mere tender of a machine.

Eleventh, the theorist says that machines vulgarize the popular taste by accustoming people to cheap and shoddy machine products, that a lot of the vulgarity against which the critics rail to-day is due, not to a break-down in religion, but to the inevitable effect of a machine industry on the taste of a people.

Twelfth, the theorist says that machines turn men into mere spectators of life rather than participants in life. For instance, says the theorist, to-day men watch the movies instead of taking part in some invigorating folk-play or instructive study; they listen to "canned music" instead of owning and playing some musical instrument as men did in the simpler days of the pre-machine age. This, says the theorist, is the way a machine industry kills the culture of the individual.

Thirteenth, the theorist says that machines will sooner or later iron the world out into a flat and dull and colourless sameness, that every step we take in the direction of further mechanization and standardization is a step in the direction of a less varied and less interesting world. To-day, says the theorist, thanks to rapid transportation, rapid communication, radio, and standardized goods turned out

by the millions like matches or tacks, a hundred million Americans are wearing the same kind of clothes, thinking the same thoughts, whistling the same tunes, and, like so many dumb animals, running with the pack, rarely exploring any side trails lest somebody shout traitor or radical. To standardized goods we are adding, says the theorist, standardized conduct, standardized politics, standardized education, standardized religion. The system of machine production, says the theorist, not only kills men's bodies with its awful monotony of production but kills men's souls with the awful monotony of life outside the factory which it inevitably produces.

Fourteenth, the theorist says that men can never effect any widespread social adjustment of themselves to their environment in a machine civilization. Before the coming of the machines men could really adjust themselves happily to their environment, says the theorist, because they lived their whole lives in one place. But to-day, says the theorist, a machine civilization has made us into a race of restless people hurrying about from place to place in a way that makes concentrated thought and effort impossible. We have less lei-

sure than ever before, says the theorist, for all our labour-saving machines. The worker is a nomad in modern industry according to the theorist. Add to this the fact that rapid transportation has made us a race of travellers, and we have the theorist's reason for saying that we waste in running about energies that our ancestors put into the creation of worth-while works.

There are doubtless still other points in the theorist's indictment of a society that rests upon machine production, division of labour, and standardization of products which I think are to be the starting points for the richest and greatest social progress we have known, but the fourteen points I have listed are enough to give a pretty good idea of the point of view I am writing this book to combat. And no reader can say, in the face of this summary, that I am ignoring the other side in my analysis.

Now the last thing I want to be understood as suggesting is that these indictments of our machine industry, *as we have known it and managed it in the past*, are without foundation. I do not say that these fourteen points are pure fancy or pure theory. In fact, I think most of them rest upon very solid

ground. What I want to insist upon is that these are not the inevitable results of a machine industry.

And anyway, since there isn't a ghost of a chance that we shall or can ever go back to hand production, our real problem is not to analyze what machine industry *has meant*, but to find out what it *may mean* if we administer it wisely.

IV

Now let me set down as concretely, as simply, and as briefly as I can what I regard as the possible and probable results that will follow a wholesale adoption by American business and industry of the policies of mass production and mass distribution. Before tabulating these suggested results, it is important to have very clearly in mind what mass production is and what it is not, what mass distribution is and what it is not.

Mass production is not simply reducing the variety of your output; it is not simply selecting from the many articles you may be manufacturing the one article that you think you can make most easily and sell at the biggest profit per article, specializing on it, effecting the cuts in production costs that specialization make possible, keeping

the price at the conventional high level, and holding rigorously to the notion that your business success depends upon making a very high profit per article, and that, therefore, it is to your best interest to keep prices up, reducing them only when you are now and then driven to it by the fact that your enormous output has flooded the market and choked the shelves or warehouses of your distributors.

And mass distribution is not simply "putting over" an article by spending millions of dollars to "create a market" for it.

The man who sets out to manufacture and sell in this superficial and in the end futile way usually works out his plans by asking himself the following questions and in the following order:

Let's see now, what shall I manufacture?

What article is to-day selling at such a fat price that it would give me an extra fat profit if I could specialize on it and cut its production cost very greatly?

How can I manufacture it so that it will have the greatest possible number of "talking points" for my advertisers and my salesmen?

Who is the cleverest advertising man in the coun-

try with the greatest reputation for "putting over" a new brand of goods?

And so on, and so on.

Now the man who really understands the philosophy and the implications of mass production and mass distribution—that is to say, a better business man—asks himself an entirely different set of questions and in an entirely different order. Instead of beginning with the product and ending with the consumer, he begins with the consumer and ends with the product. Here is the way he goes about cross-examining himself:

What article can I manufacture that will be of the greatest possible use to the greatest possible number of people?

How can I manufacture the article so that its usefulness, its quality, and its durability will make it sell itself, as nearly as that is ever possible?

How can I put into the article the qualities that will win for it the permanent loyalty of the largest number of consumers?

How can I make the article so persuasive in its appeal that my advertising man's job will become less and less a job of argument and more and more a job of telling the public the virtues of

the article, where it can be bought, and at what price?

How can I organize my business so that I can make the article at the lowest possible cost and with the least possible waste in men, in materials, and in selling effort?

How can I manage my business in order to keep the wages of my men going higher and higher and the selling price of my article going lower and lower so that I can be sure of a permanent and growing body of consumers who will be both *willing to buy* my article because it is useful, durable, and reasonable; and *able to buy* it because they have the money?

What methods must I adopt in order to make it safe for me to plan on getting my profits and making my success not from a high profit per article on a few sales, but from a low profit per article on mass sales that run into the millions?

There is, you see, a vast difference between these two approaches to machine production, quantity output, and standardization of product. There is nothing to be said about an attempt at standardized machine production that thinks only of squeezing larger and larger profits out of each article sold

except that it would be distinctly anti-social if it succeeded. But the real point is that it cannot succeed.

Mr. Ford's testimony on this point is worth quoting as expert opinion. He says:

The thought behind most standardization is to be able to make a larger profit. The result is that with the economies which are inevitable if you make only one thing, a larger and larger profit is continually being had by the manufacturer. His output also becomes larger—his facilities produce more—and before he knows it his markets are overflowing with goods that will not sell. These goods would sell if the manufacturer would take a lower price for them. There is always buying power present—but that buying power will not always respond to reductions in price. If an article has been sold at too high a price and then, because of stagnant business, the price is suddenly cut, the response is sometimes most disappointing. And for a very good reason. The public is wary. It thinks that the price-cut is a fake and it sits around waiting for a real cut . . . if, on the contrary, the economies of making are transferred at once to the price and if it is well known that such is the policy of the manufacturer, the public will have confidence in him and will respond . . . so standardization may seem bad business unless it carries with it the plan of constantly reducing the price at which the article is sold. And the price has to be reduced (this is very important) because of the manufacturing economies that have come about and not because the falling demand by the public indicates that it is not satisfied with the price. The public should always be wondering how it is possible to give so much for the money.

It is this sort of machine production, quantity output, and standardization of product that I look to as the inspiration and instrument of our future social progress. Now, let me set down categorically what the results of such a policy—the policy into which necessity is going to drive American business men—will be.

v

First of all, the higher wages, shorter hours, and lower prices that mass production and mass distribution make possible will give, for the first time in history, real freedom to the masses—that economic freedom which underlies all other kinds of freedom, except perhaps the special freedom of the saint who renounces the world and takes the vow of poverty.

“Yes,” says the theorist, “but this is the same sort of shallow optimism that business men indulged in when machine production first entered the field a century and a half ago.”

Now, I agree that my forecast is strikingly like the forecasts that were made when the modern machine age came in. I agree that then men said, as I am saying now, that the machine would set men free. And I agree that the machine hasn't.

The machine age has increased production and comforts in the bulk, but, looking at the masses man by man, the machine age has not lived up to its prospectus. But there is a very real difference between the forecasts of a century and a half ago and the forecast I am making now. Let me state that difference as simply as I can.

Hitherto the benefits of machine production, quantity output, and standardization of product have reached the pockets of workmen and consumers only by the grace of the good will and vision of individual employers here and there and the disciplined fighting strength of organized labour. Hitherto the industrial system operated in a relatively virgin world of boundless resources and ample elbow room, and so men could make great business successes by policies that were at bottom not to the best interest of the public at large. But, as I have said earlier in this book, all that has changed. We are living in a different world, a world in which business simply cannot afford wasteful and anti-social policies. The pioneer period is over. More statesmanlike business policies are essential to big business success.

In the future a really big business success on the

basis of mass production and mass distribution will be impossible except as it makes for both high wages and low prices. I need not go over that argument again. Low wages and high prices manifestly cut down that widespread and sustained buying power of the masses without which mass production sooner or later defeats itself.

In other words, the business man of the future must produce prosperous customers as well as saleable goods. He cannot think of his business as an adventure in getting money from masses of people who, in one way and another for which he had no responsibility, have got money from someone else. His whole business policy must look forward to creating great buying power among the masses. Otherwise mass production cannot succeed. The business man of the future must fill the pockets of the workers and the consumers before he can fill his pockets.

Now, out of the soil of this economic freedom for the masses which I think mass production and mass distribution will make possible I expect to see all sorts of social benefits grow. But, someone may say: Will the masses use their new freedom wisely? Shall we not be let in for all sorts of orgies of abuse

and arrogance? Won't the wine of the newly acquired freedom go to their heads? Maybe—for a while. But abuse of a new freedom in its early period does not disprove its wisdom. Human nature is—human nature. I have even known some of us employers to abuse new power and new prosperity! Modern workmen have learned their habits of consumption and their habits of spending their leisure in the school of fatigue, in a time when high prices and relatively low wages have made it necessary to spend all the energies of body and mind in providing food, clothing, and shelter. We have no right to be over-critical of the way they spend a new freedom or a new prosperity until they have had as long training in the school of freedom as they have had in the school of fatigue.

Again, someone may say: Will free men submit to leadership? On all hands we are hearing it said that the masses "got out of hand" during the war, and that what is needed is "strong hand" leadership. Certain types of mind hail with delight the Fascist sort of movements. "We need Mussolini," they say, "not only in politics but in business and industry." Well, I do not think there is any dogmatic answer to this question. I can only state

my own point of view in the matter. This problem of free men and leadership is not peculiar to business and industry. Every step toward freedom in any department of life has made leadership more difficult until men have grown bigger in the atmosphere of liberty. But, in the long run, freedom develops bigger leaders and bigger men. Certainly the thousands of business men who now feel that they have to retire from business in order to find adventure and a challenge to their imagination should not object if they find such a chance in the greater difficulty and challenge in business leadership that greater economic freedom to the masses will create.

I expect to see the economic freedom that will come from high wages, low prices, and shorter hours greatly reduce and ultimately eliminate the social and industrial unrest that to-day threatens, like a latent mutiny, our whole industrial order. I expect to see this because economic freedom will actually change men's interests and motives. To-day the minds of the masses are centred on the getting of economic necessities. If we can make the getting of the necessities of life a much smaller part of men's lives—as we can under a régime of

mass production and mass distribution—men's minds will inevitably turn to other and higher issues. The conflicts of the future will not be sullen warfare about bread and butter but good-humoured competition in the further and further refinement of life. Most of the social and economic issues that now keep the whole world on edge will disappear. Men who can take care of the whole material side of life by working, say six hours a day, simply won't be interested in socialism or communism. Whether a private corporation or the Government is to own and run the railroads simply won't excite them. They will have got economics where economics belongs. They will be like a good housewife who knows how to manage her household so she has most of her time and thought and energy for things she wants to do instead of things she has to do whether she wants to or not. Under a régime that gave men economic freedom, the vote would go to whichever could run the railroads best, whichever could give the best service at the lowest cost, whether it was a private corporation or the Government. There would be no sense of economic disinheritance, no banked-up social discontent that would prompt men, as now, to

grasp at radical theories in an attempt to regain their birthright. More and more, under a régime of economic freedom for the masses, men's minds will turn to other interests than now concern them; their most highly prized values will more and more tend to become values which they will know cannot be transferred by any communist edict or revolutionary coup.

The modern man will never gain freedom as the old mendicants gained it—by denial. Most of the current theoretical protest against machine industry, with its plea for a return to hand production or something near it, is a modernized version of the mendicant idea. No! The modern man will find his real freedom, not by denying himself the comforts that a highly organized industrial system can give, not by renouncing industrial efficiency for any theoretical communist control, but by and through the working out of an industrial system that will enable him to get all the necessary comforts and luxuries of life without spending all of his waking hours getting them. I am speaking very carefully, ruthlessly ruling out every temptation to mere optimistic speculation, but I am convinced that, if we really see and really work out the full

possibilities of mass production and mass distribution, a day will come when we shall be as ashamed of spending eight and ten hours a day merely providing food, clothing, and shelter for ourselves and our families, as we would be ashamed of spending eight or ten hours at the table eating in order to keep our bodies going. This way only lies freedom for mankind.

As I have said, now the motives of the masses are mainly material. But free them from the bondage of bread and butter, and their desires will go out for better education, for instance, and better education will in turn give men a better sense of values. There will be less and less interest in the sort of useless luxuries that mean only a competition in flashiness. Familiarity breeds contempt, it is said. Well, when we have succeeded in making things so cheaply and paying such high real wages that every reasonable thing is within the reach of the average man, the things that now cause men, in their mad competition to give their families as good things as their neighbour, to mortgage their future and keep their noses to the grindstone, will be taken as a matter of course—like air and water.

Mass production and mass distribution will

make higher education the common property of mankind, not only because employees will have money enough to send their sons and daughters to college, but because under such a régime employers will have a new and added reason for urging education and helping to develop a new and better kind of education. Let us see how this will come about.

I have already pointed out how the business man who goes in for mass production and mass distribution must have an increasing body of consumers with increasing buying power. That means, as I have said, that he must pay high wages. You cannot have high buying power in the public and low wages in the factory office and shop. But the business man who is driven to make high wages a part of his policy, will be driven to every possible effort to make his employees worth the high wages he pays them. This means that he will have a new interest in education. Under mass production and mass distribution, education will not have to depend upon a comparatively small group of overworked men and women or the casual and occasional interest of isolated millionaires who take up education as a hobby. Business men everywhere will feel that they have a stake in the educational

system of the country. They will come to realize that they can no more afford to be indifferent to the extent and quality of education in the country than they can afford to be indifferent to the quantity and quality of the output of their factories.

When enlightened selfishness has thus turned the attention of business men to the problem of education, I think three things will strike them at once—the inadequacy of the educational plant, of the managers of the plant, and of the product of the plant. By which I mean that they will see that the present educational facilities of the country are inadequate, that both the number and the quality of teachers are inadequate, and that the kind of education we have had in the past is inadequate. This does not mean that business men are going to become experts in pedagogy by some automatic inspiration. The commonest common sense will be enough to make them see this inadequacy.

The new business man will join with the new employee in urging and making possible the necessary extension of our educational facilities. The business man of the future will more and more run an education effort neck and neck with his production effort in his business establishment. I don't

mean simply night classes and things like that. I mean an educational effort that will go on during working hours with the job itself as the cue for the education. This will mean that, in terms of the physical educational plant of the country, we shall add to our present school building our stores and shops and factories. Some years ago I pointed out how, by such a policy, we could add a hundred-million-dollar educational plant to our present facilities in Massachusetts without erecting a single new building.

From the perfectly selfish desire to get employees that will use their political power constructively and will be worth the high wages he must pay under mass production and mass distribution, the business man of the future will fight for higher and higher teachers' salaries and better and better teachers.

But, most important of all, the business man of the new régime will find himself driven into the ranks of the educational progressives who are fighting for a new kind of education. This may seem to some a far-fetched conclusion. Some may say that the only interest the business man ever has had or ever will have in education is in making better

workmen, more efficient producers, and that it will be dangerous to have the business man dabbling in education, for he will wreck culture and turn our schools into mere Robot factories that will turn out "mechanical men" like the automatons of "R. U. R."

Now, I am obliged to admit that under mass production and mass distribution industry will be more and more attractive in that it will offer greater and greater prizes to men. This new attractiveness will undoubtedly increase the already great tendency upon the part of students to leave school early in order to go after the prizes of industry. And the situation may, indeed, for a time make students turn to the obviously and specifically mechanical sort of training that will most quickly fit them to hold a job. But in the long run it will, in my judgment, make for a far better education than we now have. Education *should* fit men for their jobs. But that does not mean that we must choose between a kind of vocational education that is devoid of culture and a cultural education that either does not fit or unfits a man for his job. It means that we shall end the dangerous dualism that to-day exists between the school and the fac-

tory and work out a kind of education that makes it unnecessary for a man to think one way in the school room and another way in his shop. If education is to serve the state as well as the workshop, it must give men culture as well as skill. But the thing we shall come to see more and more is that it is possible for a man to get the most vital kind of culture out of training for his life-work. If the new interest in education into which mass production and mass distribution will drive the business man makes for an education in manual efficiency only, it will clearly be the duty of all educators and all citizens who have the best interests of the country at heart to oppose it with all their powers. But that isn't the sort of education the new industrialism will require and tend to bring about.

Let's put the matter on as selfish a basis as possible. What kind of employees will the business man of the new régime need in order to give his business the best chance for success and permanence? The answer is obvious. He will need masses of workmen and masses of consumers who are able to earn the biggest possible incomes. Only so can he have an assured market for his mass out-

put. He will also need masses of workmen and masses of consumers who are reasonable instead of reckless in their consideration of the various economic and social issues that will arise and in their attitude toward the various revolutionary and ultra-radical propagandas that will come from time to time. The first need will make the business man work for the kind of education that really makes men efficient producers, and thus the industrialism will tend to lift the productive efficiency of the whole country. That is obvious, and, to some, it may seem to hold a danger. It is the second need, the need for a reasonable and straight-thinking people, that will make the business man of the future work for a new, a better, a broader, and a more genuinely cultural education than we have yet enjoyed. This isn't so obvious. Let me suggest how I think this matter will work out.

Now the old education was largely a matter of injecting information into students' heads and training them for conformity. The new education, the education that progressive educators are to-day working for, is less the imparting of classified information and more the stimulation of intelligence, the training of men to think straight, the loosening

of the dead hand of traditions and inhibitions upon men's minds. In short, the new education, instead of trying to produce scholars who know accurately all the specific incidents of the past, is trying to produce citizens who are able to take a tangled present-day situation, think it through, and really see what the issue is. The new education will give the student a real understanding of the long, slow, evolutionary climb of the race, a real sense of the long, slow, evolutionary development of human society. Now this means culture that is broad and real. And, if we take time to think about it, we shall see that this is the only kind of education that will give us a reasonable and straight-thinking people, immune from the impassioned appeal of the reckless and doctrinaire revolutionist. It will give us men and women who know that nothing valuable comes by miracle but only by growth. It is the man who knows nothing but skill who is most likely to believe he can get abiding results quickly from radical panaceas and revolutions. The man who knows the story of the vast experimentation by which we have come to be what we are knows better.

Mass production and mass distribution simply

cannot succeed unless the masses are efficient to the point of high earning power and reasonable to the point of knowing that we must grow a new industrialism, that we cannot bring it in over-night by revolutionary manifesto. So, as I see it, the new industrialism that mass production and mass distribution will give us will march down the road hand in hand with the new education. It will not only help to create a new and better education but it will give the masses the economic freedom that will enable them to take advantage of it. And as the masses with their new freedom turn more and more to the new education we shall get an increasingly able mass of employees with whom the many experiments in industrial democracy which now may seem doubtful will become more and more workable.

But, someone may say, the mass production and mass distribution which you hail as a source of social progress will give us an industrial system based on mechanical, monotonous, repetitive labour that will crush out of workers all the elasticity of mind and spirit and leave them unfitted to enjoy or take advantage of the new economic freedom which high wages will admittedly give them. This

raises what is, of course, one of the very real problems of a machine industry. The conquest of monotony and freeing of the creative and initiating spirit in men is one of the biggest issues before modern industry and modern society. If the further development of the industrial system which I am suggesting throughout this book meant doing repetitive and monotonous labour for long hours and at low wages I should throw up my hands at this charge and frankly go over into the camp of the theoretical critics of modern industrialism. But it doesn't. It means an even further mechanizing of the processes of production, yes. But it also means the practical possibility of a shorter and shorter working day with a higher and higher wage return to the worker. And just here, I think, is where we shall find the starting point for our new war on monotony in industry.

Monotony in industry is a relative matter. A lot depends upon what you can look forward to at the end of the working hours of the day, the end of the year, the end of your active working life. A man will endure all sorts of hardships in climbing a mountain if he knows that the view from the top will fully reward him.

We have to begin our consideration of the problem of monotony in industry with the unavoidable fact that modern industry is going to become more rather than less mechanical. It is not a question of choosing between a machine industry and some other kind of system. The cards are stacked against us. We are committed to a machine civilization whether we like it or not. The question is: Can we save our souls in an age of mass production? I think so.

Now the theorist assumes that every man must express his personal initiative, his creative urge, solely through the job out of which he makes his bread and butter. This is, I admit, what an ideal society made up of ideal men would make possible. If every man in the world were an artist, a creative craftsman, a man who thrilled at the opportunity to design and make things single handed, we would have to say that any system that did not give every man a chance to be, in effect, a free-lance craftsman would have to face an ultimate revolt of its workers. But the plain fact is that every man is not an artist, every man is not a creative craftsman. For every man who is a creative spirit there are multiplied thousands who are not creative, who lack

initiative, whose only hope of high earning power lies in fitting into an ably planned and ably managed routine. Modern industry is obligated to give every creative spirit its chance to express itself in and through its work. And, indeed, it is to the financial advantage of industry to do so. But modern industry has an equally great obligation to the millions of men and women who are not creative spirits, men and women whose more ordinary abilities cast them for work in a minutely planned and directed industrial system. Set these millions adrift in a handicraft world and they will sink to the bottom, unable to compete with the abler and more creative workmen, or at best they will worry along on the meagre income their ordinary abilities can command. Now, as I see it, the new industrialism of mass production will not wage war on the skilled workmen—it will give them a greater opportunity than they have ever had—but it will make it possible for the millions of unskilled and even unskillable workmen to reap rewards that have hitherto gone only to the skilled. That is, it will give them shorter hours and higher wages, which will enable them to give their children an education which will bring about an economic sys-

tem and economic freedom that will give full opportunity for the creative spirit.

I do not mean that we shall make no effort to reduce the deadly monotony of machine production. If we really put our minds to it, we shall find many ways by which we will be able to reduce monotony, eliminate danger, avoid the fatigue that wrecks health and brings accidents, and generally adapt men to their machines and machines to their men more wisely. Here is a field that challenges all that we have of humane spirit and inventive genius. We have hardly begun to study the problem of adjusting men and machines in modern industry. Much is possible if we put enough straight thinking into it. It is interesting to note that in certain cigar factories the monotony of the work is relieved by the device of reading to the men while they work. This is, I realize, a relatively easy thing in a noiseless industry that is after all largely a hand industry. But a time may come when we shall have made the work of the world so mechanical, so nearly automatic, that we shall really have freed the mind of the worker while his hand is busy, and thus opened up all sorts of opportunity for devices that will counteract the monotony of manual

operation. I throw out this suggestion, not because I now see practical ways of duplicating the reading device in machine industry, but only to indicate that something that will accomplish the same result may well be found in the future when we have really tackled the problem of monotony.

But I do not think that the maximum possible conquest of monotony will come through these better adjustments between men and machines inside our factories. I am sure that we shall in time be able to get routine repetitive labour on a basis where it will not be injurious to the bodies of the workers, but the real curse of repetitive labour, its failure to satisfy the minds of the creative or stimulate the minds of the more sluggish workers, will be lifted, I am sure, by the increasing freedom that will lie at the end of day or a working lifetime that has known short hours, high wages, and low prices.

Let's remember the elementary facts of the situation. All men are not boiling and seething with a creative urge that can be satisfied only by complete or nearly complete emancipation from routine and repetition. Some are. There is no reason on earth why any such restless and creative spirit should stay in a routine job. The fact is

that there are not enough such workers to go around. There are more creative jobs going begging to-day than there are creative workmen to fill them. For the millions of the unskilled and the unskillable the road to freedom lies through routine, in the very following of which the unskilled appropriate the benefits of creative skill. Now, even the unskilled and the unskillable will in time revolt against a system of routine and repetition if it means long hours and wages that do little more than pay the bills for food, clothing, and shelter at the end of the month. But once you have taken out of routine and repetition every unnecessary strain and made routine the sure road to ample economic freedom, you have made routine an instrument, not of enslavement but of emancipation for every worker save the specially gifted, for whom there will always be ample opportunity outside the ranks of the routineers.

It will not do to grow sentimental over this problem of monotony. The most humane thing to do is to face the facts. We shall get exactly nowhere by romanticizing about people. We must see to it that recognition of the fact that the majority are not restless creative spirits does not simply make us

satisfied to go on blindly trading upon their relative inability to hew out their own fortune for themselves. Good business as well as noblesse oblige demands that we fashion an industrial system that will give the greatest possible freedom to the greatest possible number. But we must never forget that poverty brings a monotony a thousand times more deadly to body and mind than the monotony of factory routine. The monotony, the isolation, and the drudgery of hand labour on the farm can drive the farmer's wife into insanity. Let's remember that the problem of monotony is not confined to the factory or the machine civilization of the Western world. The problem of monotony is not alone the problem of the monotony of a job itself, but also a problem of the monotony of meagre outside interests and of too little leisure to enjoy life after the day's work is over. As an alert student of this problem has suggested, "The wife of the tenement-dweller has a more varied workday than her husband in his factory, cooking, sweeping, washing, ironing, rescuing her ragamuffin children; but probably most of us believe that longer hours and fewer contacts with the outside world make her life more of a grind than his." The sweating coolie

may be free from the tyranny of the machine, but his back is bent by an even more ruinous routine, at the end of which lies, not freedom but poverty.

Mass production will ultimately make possible a five-hour day. I am not suggesting that we could go to a five-hour day by executive order now. I am saying only that a wise and wholesale adoption of the mass principle will probably make it possible as a goal. When that is reached, when men can more than provide for food, clothing, and shelter by five hours of toil they will have ample opportunity to indulge in all sorts of things that will satisfy their creative instincts and bring the necessary variety of interests into their lives. I do not mean that within twenty-four hours after a five-hour day was instituted every workman in America would choose a satisfying avocation. I do not mean that every workman would at once enter all his children in college. Thousands would at first idle away their new leisure and invest their surplus earnings in silk shirts instead of diplomas for their children. I mean only that any workman who hungered for variety of work would have the chance to turn to an interesting avocation, that he would no longer have to look upon his children as

so many economic assets to the family. Many workmen might, indeed, work two shifts in an effort to gain more quickly the financial margin to educate their children or the freedom to turn eventually to something they liked better to do. And after the "new rich" period had been passed, we might safely expect that a wiser and wiser use of the new freedom would obtain, because the men and women who use this freedom most wisely will be the surviving type.

VI

And I am not greatly disturbed by the assertion that a régime of mass production would give us an ugly world in which standardization would throw a blanket of plainness over everything. Mass production does not mean shoving down people's throats things they don't like but which they will buy just because they are cheap. The very first principle of mass production is the selection of an article of production that the largest number of persons need and will like because its design, its quality, and its durability please them and serve their best interests. The desires and tastes of the consumers will always exert a referendum control over the things mass production turns out.

Standardization, without which mass production is impossible, implies a search for simplicity of design and manufacture. In nearly everything we use to-day we are paying a high price for complexity of design and manufacture, a complexity that seldom adds one whit to the beauty of the product. We can increase the beauty of the world by simplifying the things we wear and use. The standardization that will really pay is not the standardization that begins by trying to cheapen the cost of production, but the standardization that takes something that the largest number of people already like and then tries to eliminate everything that does not add to its beauty, its quality, or its usefulness. If you simplify an article in order to make it more desirable, you will automatically cut down its cost of production. And as we become more adept in the problems of mass production we shall probably find that our search for low production costs leads us into a search for simplicity which will result in greater genuine beauty than we now achieve in our lawless competition for "something different" to enable us to take trade away from the other fellow.

There is no reason why a machine-made dress,

for instance, should be less beautiful in its basic design than a costly dress designed in an exclusive shop for the society leader. The manufacturer who produces inexpensive dresses in mass can better afford to hire a high-priced designer than can the head of a small and exclusive shop. He can spread the salary of the highly paid designer over thousands of dresses, where the head of the small shop must spread it over scores of dresses. And it is short-sighted business to be satisfied with anything less than the best available designing genius, if you are making clothing in mass. But we can rest assured that the healthy human desire for variety will prevent a too great standardization of style. The mass producer who goes too far in trying to cheapen the cost of an article by taking away the things that make it attractive as well as serviceable will be checked by falling sales.

Then, too, as men become freed from the struggle for economic necessities, as they have a wider margin of money and leisure, and as their taste and sense of values grow in that freedom, we shall see a new competition for beauty and refinement. This more general interest in beauty and refinement, that can come only under economic freedom,

will be another check to a standardization that unwisely tends to ugliness.

And as the bulk of American business and industry goes more and more to mass production of standardized goods, the small factory, unable to meet the competition of the great industries on their own ground, will play for special beauty in its products and thus find its place outside a competition that it cannot meet.

VII

Paradoxical as it may sound, mass production will make for a decentralization of industry, and thus cut the ground from under the critic of modern industrial system who rails, and rightly rails, against the tendency to date to herd workers and their families in ugly and congested industrial centres that blight the bodies and blind the souls of men.

Now I am by no means sure that centralization is of necessity a bad thing. The centralization of the past has been bad, very bad, I am bound to admit. But the centralization of the past was planless, and planless things are likely to be bad. I am not sure that a planned centralization might

not be a really civilized achievement. I anticipate that during the next fifty years we shall make great headway in planning ways and means of living together in cities.

But all that aside, for it is guessing about the future. It is interesting to note that the development of machine production, quantity output, and standardization of product will tend, not to centralize, but to decentralize industry. It is illuminating to quote Mr. Ford on this point. He says:

We started assembling a motor car in a single factory. Then as we began to make parts, we began to departmentalize so that each department would do only one thing. . . . A department is a little factory in itself. . . . Then we found that we had made another new discovery, which was that by no means all of the parts had to be made in one factory. . . . When we began to make our own parts we practically took for granted that they all had to be made in the one factory—that there was some special virtue in having a single roof over the manufacture of the entire car. We have now developed away from this. If we build any more large factories, it will be only because the making of a single part must be in such tremendous volume as to require a large unit. . . . This is a development which holds exceptional consequences, for it means . . . that highly standardized, highly subdivided industry need no longer become concentrated in large plants with all the inconveniences of transportation and housing that hamper large plants. A thousand or five hundred men ought to

be enough in a single factory; then there would be no problem of transporting them to work or away from work, and there would be no slums or any of the other unnatural ways of living incident to the overcrowding that must take place if the workmen are to live within reasonable distances of a very large plant.

Now this opens up an interesting and important field for any one who is trying to forecast the probable industrial development of the next ten, twenty, or fifty years. It means that mass production will not of necessity throw American industry into the hands of a small group of industrial barons who, like the late Stinnes, for instance, will hold the entire nation in their hands. To-day we have to turn for our example of a mass-production industry decentralizing itself to an industry that has been integrated in the hands of one man, Mr. Ford. But the reason it is now necessary for Henry Ford to build up a vast integrated industry, the reason it is now necessary for Mr. Ford to own and operate all of the smaller factories he is establishing for the manufacture of parts, is that he cannot succeed unless every part of the industry is dominated by the same business philosophy. If the Ford idea of machine production, quantity output, standardization of product, and service to the consumer were

general, the Henry Fords of the future would not necessarily own and operate a vast integrated industry; they could become simply the coördinators of smaller producers and of parts. Ownership could be widely spread. We could, in effect, get back to a new and modernized "cottage industry," that is, to a régime of smaller factories scattered over the country. And the real captains of industry of the future would be the great geniuses of invention and production who would coördinate the output of scores of factories, each separately owned, and bring to bear upon the administration of all of them the unified sort of business planning that has made the Ford success. But the crux of the matter is that we can never allow a small factory in Indiana to hold up the assembling centre in Michigan. That is to say, we can spread the ownership of a decentralized industry only as fast as the basic philosophy of mass production and mass distribution captures the minds and imagination of business men everywhere.

This decentralization of industry which mass production will make possible will have innumerable social effects. It will go far toward stabilizing industries that are now seasonal. It will go far

toward reducing periodic unemployment. Let me hark back to Mr. Ford's experience for only one case in point.

Mr. Ford established a valve plant eighteen miles out in the country so that the men who worked in it could also be farmers. Once bring the blessing of machinery to the farm and the work of the farm can be done in only a part of the time the farmer now gives to it, and they can have free a good part of their time for work in small factories which the coming decentralization of industry can establish in many farming communities. Such factories can produce parts that are not too bulky and that can be made almost anywhere. As Mr. Ford has said:

The belief that an industrial country has to concentrate its industries is not . . . well founded. That is only a stage in industrial development. As we learn more about manufacturing and learn to make articles with interchangeable parts, then those parts can be made under the best possible conditions. And these best possible conditions, as far as the employees are concerned, are also the best possible conditions from the manufacturing standpoint. One could not put a great plant on a little stream. One can put a small plant on a little stream, and the combination of little plants, each making a single part, will make the whole cheaper than a vast factory would.

So it becomes clear that the decentralization for which reformers have pleaded will become possible not by renouncing the industrial system but by making it more efficient. It does not seem to me any wild flight of fancy to assume that in years to come we shall be able, under a régime of mass production, to coördinate farming and other pursuits with industry in a manner that will greatly improve the health of vast masses of workmen, stabilize our seasonal industries, and eliminate many of the evils of concentration. And all this will, of course, remove the economic strain that the present uncertain employment and income places upon workers and greatly reduce the social and economic discontent that causes so much waste.

VIII

Certainly mass production and mass distribution will make possible a greater stabilization of business than we have ever known. Given the established policy of selling a large number of articles at a small profit per article, all things being equal you are assured of a continuous and increasing business. This means you are able to plan production, free

from the menace of slack seasons and uncertain demand—free from sporadic and unscientific competition. You do not have an idle plant on your hands part of the time. You do not have to carry the waste involved in discontented and mutinous workers who are dissatisfied with inadequate wages and uncertain employment. The permanence and the magnitude of your business make possible a continuous and broad-gauged study of your market, your materials, and your men.

And this stabilization will not be confined to the big manufacturer. The small manufacturer is to-day a victim of conditions outside his factory, conditions over which he can exert no effective measure of control at their source. But, once the small manufacturers of the country are working under a big coherent plan, their production will be better keyed to their market and thus stabilized.

IX

I should like to point out in conclusion that all these benefits of mass production will be benefits to the workers as well as to the employers. It is unnecessary to say that anything that tends to regularize employment and production is desirable

for the workers. The union of high wages and low prices which mass production must effect if it is to succeed means higher real wages for the workers. High wages alone may, as I pointed out in another chapter, easily become counterfeit if accompanied by rising prices. The decentralization of the new industrialism will mean better living conditions for the workers. The stabilization of business means security for labour. And mass production, with its new freedom and its added income for the masses, will mean the emergence of so many new demands that the ghost of unemployment will be laid. But above and beyond all the benefits of mass production and mass distribution is the economic freedom it will give to the masses. That is the soil in which the social progress of the future will take root.

CHAPTER XI

COUNTERFEIT WAGES

I

NINE times out of ten, when we business men discuss the wage problem, we blindly miss or evade the real point at issue. It is not simply a question of how much wages we pay, but of how much the wages will buy. We have spent too much time discussing the amount of wages, and too little time discussing the purchasing power of wages. We may double John Smith's wages, but if meanwhile the necessities of life have trebled in price, Smith is worse off, is more dissatisfied, is more likely to strike.

In a time of rising wages, unrelated wage statistics can easily be made to lend colour to the charge of "grasping greed" on the part of labour. Unless all the facts are taken into account—not simply the wage figures—we business men are likely to fall victim to the easy assumption that the labour problem is due solely to an attempt by

labour to extract from the traffic all that the traffic will yield. It is a relatively simple matter for a clever captain of industry or his retained publicists temporarily to swing sentiment against the workmen when they demand an advance in pay close upon the heels of a series of wage increases. The public is not noted for nice discrimination in judgment. But the scientific mind, which is only another way of saying the ruthlessly honest mind, will never consider wage statistics apart from price statistics.

Whenever the rise in prices outstrips the rise in wages, labour receives its reward in stage money. However high wages may be in dollars and cents, if prices are so high that the wages will not enable the workman to buy sufficient food, clothing, and shelter for himself, his wife, and his children, to indulge in adequate recreations, to educate his children, and to make satisfactory provision against illness and age, we are paying the workman for his labour in counterfeit wages—a phrase which I have coined to suggest the real point of this discussion.

Even this is an understatement of the case, I fear, although I am seeking to state only the irreducible minimum of things a genuine wage

should make possible. This irreducible minimum should include not only the necessities I have just mentioned but enough luxuries in addition to make the workman's toil for these necessities at least a measureably hopeful and happy adventure. Even this is not all that we shall some day think a genuine wage should make possible, but only the minimum that social sanity and social safety demand.

A counterfeit ten-dollar bill may say on its face that "The United States will pay the bearer on demand ten dollars," but the bearer finds, when he presents it at his bank, that he cannot get ten real dollars in exchange for it. In the same way, a pay envelope may say on the outside, "John Smith, Forty Dollars," but when Smith tries to exchange his forty dollars for commodities in a market of rapidly rising prices he is in trouble. Over a stretch of months he finds himself trying to meet skyrocketting prices with stationary wages. Sooner or later Smith realizes that he is being paid in counterfeit wages, although it may never occur to him to use that phrase. He realizes that his pay envelope is not passing at its face value. The marked difference between the scale of prices and

the scale of wages has made the face value of his pay envelope fictitious. Twenty-five dollars may be real wages and forty dollars counterfeit wages.

And the moment Smith realizes this the poison of discontent enters his soul and the gates of his mind are thrown open to the agitator. If we business men were really captains of industry, with the officer's sense of responsibility for his men, we should anticipate Smith's disillusionment by always thinking of his wages, not in terms of dollars and cents alone, but in terms also of the commodities and comforts his wages will buy.

The analogy between counterfeit money and wages that fail to keep pace with prices is entirely valid. Even the points of difference are illuminating. Counterfeit money has no value; counterfeit wages have too little value when measured against the purposes wages must serve. There is a law against passing counterfeit money; there is no law against paying counterfeit wages, although counterfeit wages are the more dangerous of the two. The correction of the trouble must come, not from legal pressure, but from business insight and business initiative.

However much we may idealize the situation, the

fact remains that at present the question of wages lies at the bottom of most industrial discontent and disturbance. There is nothing to be gained by beating about the bush. An industrial system that subdivides the manufacturing process until the individual worker is little more than a part of the machine and then denies to him any participation in management must necessarily leave the worker with little if any interest in the creative aspects of the business. By an inevitable process of elimination his chief concern centres on the wage return he gets for his work. Under such conditions, it is clear that anything that reduces the purchasing power of his wages is a serious matter sure to create immediate discontent and ultimate conflict.

II

I am not trying to suggest that this distinction between genuine and counterfeit wages is a new idea. It is the old problem of "real" wages with which the economists have struggled for years. I am suggesting only that we business men too often overlook it in our calculations. It is a business problem of basic importance to the man who expects to succeed in business during the next ten

or twenty years. It should not be left to theorists and reformers any longer. It is one of the most fertile sources of that discontent which is to-day hamstringing when it is not bankrupting businesses.

It does not seem to me fanciful to expect that the successful businesses of the future individually or coöperatively will keep in continuous employment a staff of experts dealing with the problem: *What Wages Will Buy*. For we employers cannot escape responsibility for doing everything within our power to make wages genuine and not counterfeit. And our responsibility does not end when we place handsome amounts in the pay envelopes of our employees. The problem has wider implications than that.

Seeing these wider implications is going to involve a pretty thorough mental overhauling for many of us. Successful though we business men may be in a day-book-and-ledger sense, we are often little schooled in sound conceptions of the larger social implications of business. Many of us have little imagination outside our own special field of business management. We are likely to think solely in terms of financial success or financial failure and to ignore the social significance of our

relation to workman and consumer. And, as I am trying to suggest throughout this book, this latter way is the surest way not to succeed financially in the future.

But entirely aside from our social responsibility, it is bad strategy for us always to play a game of defence in wage matters. Good business demands that we be the pioneers in the study and solution of this problem of the relation of wages to living costs. We are, in my judgment, entering a period in which bankruptcy will be the price of our indifference and irresponsibility. We are the men who should be asking and seeking to answer, on our own initiative, the questions that cluster about wages, genuine and counterfeit.

Who is responsible for counterfeit wages?

What are the factors that make even high wages at times counterfeit?

What is the way out of the difficulty, and who is to guide business and industry into it?

I have no ready and dogmatic answers to these questions. They can be answered finally and fully only by a collaboration of liberal and creative-minded business men who are unwilling to remain petty tradesmen in the face of such a challenge to

business statesmanship as the wage problem offers. I can only set down some of the tentative conclusions that experience has forced upon me to date.

III

For one thing, I am convinced that, in attempting to locate the blame for counterfeit wages, employers and employees will gain little by slinging mud at each other. Both are counterfeiters. The facts convict both, although the degree of guilt may vary. And there are still other sinners to be brought to repentance before we can insure the continuous reality of wages. Swearing at individuals is of slight value in the solution of social problems.

In many years of close application to shopkeeping and its related problems and in the many "study tours" that have brought me into contact with all sorts of men and issues here and abroad, one of the things that I have learned is that most of the public problems that are supposed to be very complicated and susceptible of solution only at the hands of super-men are, in fact, very simple, while many of the problems that are supposed to be very simple are, in reality, very complicated,

having roots that run throughout our whole social, political, and industrial life, and are not solvable by any simple panacea.

It would be difficult to find a better illustration of the actual complexity of a supposedly simple problem than that afforded by the problem of counterfeit wages. I have already suggested that the reality of wages cannot be insured by simply putting a little more money into the pay envelope. It isn't as simple as all that. The factors that convert a real wage into a counterfeit wage are many and varied. To suggest the complexity of this problem, let me list a few of the things that cause prices to rise faster than wages and thus render the face value of wages fictitious.

First, the speculation or profiteering that unduly raises the price of land and the cost of building, thus increasing the rent of houses, shops, and factories.

Second, the speculation or profiteering that artificially inflates the prices of those goods and services we regard as the necessities of life.

Third, the manipulation of the securities of public service corporations that raises the price of the transportation of commodities of railway, street-

car, elevated, or subway fares, of gas, and of electricity.

Fourth, the excessive fixed charges that result from watered stocks, capitalizing expenses, and unfair "good will" values.

Fifth, the inefficient, wasteful, and unjustifiably costly methods of wholesale and retail distribution that add unduly to the cost of goods after they leave the hands of the producer.

Sixth, all preventable waste in industry which, after all, makes prices higher than they need be.

Seventh, any limitation of output by labour unions that results in fewer and higher-cost products.

Eighth, the enactment of tariff laws that hurt our farms or increase the cost of domestic goods by fostering bad trust agreements and indefensible profits.

Ninth, the inefficient, costly governmental administration that results from our local and national habit of choosing untrained administrators, from our easy-going American habit of trusting the smooth-talker.

Tenth, the partizanship that neglects the principles of good government in the scramble to get and the strategy to keep office.

Now, I submit that each of the things I have just mentioned injects an unnecessary element into the price of the commodities, comforts, and services the workman must buy with his wages. Such things exact an unnecessary toll. They exist only because we do not run our governments, our businesses, or our labour unions scientifically. They represent utterly indefensible practices. Together they result in a serious reduction of the purchasing power of the consumer's dollar. They make even high wages counterfeit.

This list of factors, which is merely illustrative and by no means exhaustive, makes clear, I think, the great complexity of the wage problem. Manifestly we cannot keep wages genuine by the simple device of raising wages now and then when the pressure of living costs becomes so heavy it cannot longer be ignored. That is attacking the problem from one angle only, not the most important angle. The wage problem and the price problem are not two problems, but two aspects of the same problem. We must deal with them abreast, not tandem.

The employer who fights the payment of fair wages is only one of the many men who make wages counterfeit. There is a whole army of

counterfeiters—the speculators, the profiteers, the manipulators of securities, the waterers of stocks, the framers of unscientific tariff laws, the inefficient managers of industry, the wasteful distributors, the bungling servants of Government who are more interested in getting contributions to their campaign funds than in making contributions to efficient government, the men who enforce limitation of output upon labour, and still others whom analysis would put in the ranks of this company. This whole army of counterfeiters must be demobilized and put to honest and productive work, if wages are to pass for their face value.

We must fight their mistakes even when they are our neighbours, club-mates, or fellow church members.

IV

May I repeat that we employers cannot help the situation very much by the simple formula of being “good-hearted” employers. The long list of factors I have just mentioned press so hard upon our employees, eating up their wages by unjustifiable increases in living costs, that they must in turn bring pressure to bear upon us to increase their income. It is the well-known “vicious circle”

describing itself. Unless we take steps to eliminate these unjustifiable charges upon society, a mere increase in money wages will not, in the long run, do our employees much lasting good. We shall succeed only in subsidizing the profiteers, parasites, and wastrels of our economic order.

No, the reality of wages cannot be guaranteed save by a courageous and scientific handling of all the other economic issues I have been discussing. And these economic devils go not out by fasting and prayer, but only by straight thinking and bold action.

We business men—if we are really good business men—will constitute ourselves a sort of social police force to drive the wage counterfeiters out of business. We employers must become the sworn enemies of every avoidable and speculative increase in living costs. This warfare will at times lead us far outside the four walls of our stores, our shops, and our factories, but every one of these adventures will be in the double interest of sound business success and sound social advance.

Every business man has a legitimate point of departure in his own business for his entrance into the fight against the illegitimate factors that enter into the determination of prices. In fact, his busi-

ness imposes upon him the duty of entering this fight. It is not a question of sentimental impulse toward uplift. Most of these things that unduly raise prices cannot be eradicated by the reformer's propaganda alone. The primary responsibility for reducing the present excessive costs of retail distribution, for instance, clearly rests upon me and my retail merchants.

We must resist all excessive capitalization which loads our businesses down with onerous fixed charges that compel excessive prices which in turn make counterfeit the otherwise adequate wages we may be paying our employees.

We must see to it that there is enacted in this country the English law that requires the issuance of a statement showing the promoter's profit and the real assets and liabilities of the company.

We must give increasing thought to research and experiment for better and better business methods, we must set about the deliberate reform of the methods and machinery of both production and distribution.

We must realize that we have at least as much responsibility as our employees for seeing to it that they are not compelled to pay a ten-cent street-car

fare, when wise and devoted administration of the public-service corporation might make a five- or a seven-cent fare profitable. The same may be said of passenger and freight rates.

We must see that it is a short-sighted business policy for us to shirk our responsibility for insuring to our employees attractive, comfortable, and sanitary housing at a fair price. I am not thinking here of any paternalistic adventure in the building of workmen's cottages, but rather of our business responsibility in the matter of a far-sighted social policy for our cities in the matter of housing. We employers have no right to stand idly by without protest while speculation in land and housing so increases rentals as to make the wages of our employees counterfeit.

We must aid existing agencies and establish throughout the country credit unions or other safe and democratic agencies for the promotion of the saving and investing of workmen's earnings, and for the providing at non-usurious rates of the loans our workmen must have from time to time.

We must assume more responsibility than we have yet recognized for training the wage earners and the general public in the wise use of money.

Everything we can do to train and enable the public to buy the best possible goods at the lowest possible price will help to keep wages genuine.

We must understand that it is part of our business to throw our influence against excessive tariffs and other forms of interference with trade which if they increase the profits of the employer at all often do so at the expense of the wage earner, the farmer, and the general public, and thus diminish the buying capacity of the masses on whom we depend for our success.

These are some of the things it seems to me we shall have to do when we really undertake to guarantee a permanently decent relation between the scale of wages and the scale of prices.

v

But all this is, after all, only clearing the ground for the solution of the wage problem. The real problem to which we business men must give increasing thought is the substitution for our present haphazard wage system of a truly scientific wage scheme that will insure, month by month, that decent relation between the wage earner's income and outgo which is essential to the mainte-

nance of the American standard of living, essential if we are to have a good buying market for our goods, essential to the maintenance of the reality of wages, without which we must resign ourselves to a chronic labour unrest and a chronic demand for higher and higher wages without regard to whether business can, at the moment, stand a wage increase or not.

I do not know what that scientific wage system will be. It may be that some monetary reform stabilizing the purchasing power of the dollar will figure in its development. Several distinguished economists have given long and careful thought to the elaboration of such a plan. Into the validity of such suggestions as the one made by Professor Irving Fisher I do not care to go at this time. I only point to them as possible elements in the ultimate determination of a scientific wage system. We should certainly make more use of the price indexes provided by the Department of Labour and by several private agencies as a possible basis for a sliding wage scale that will keep wages always within hailing distance, at least, of prices. The goal, of course, is a system that will effect wage adjustments more or less automatically, not inter-

mittently, as now, by threats and pitched battles. But this is not an easy problem. European efforts—now being made—to increase or decrease wages automatically according to the rise or fall of a cost-of-living index are showing unsatisfactory results. But we must find a way.

There is a sense, of course, in which to say that wages should cover the cost of living is a mere play on words. In the first place, we do not know how high the standard of living should be or could be made if we really put production and distribution on a truly scientific basis. Industry is not a "widow's cruse of oil" out of which wages can be poured continuously without thought of replenishment. It is not finally a question of how much wages the employer *will* pay but how much wages the industry *can* pay. Higher and higher wages cannot be made possible by the simple method of talking the employer into a willingness to divide profits more liberally with the workmen; higher and higher wages can be made possible only by increasing the ability of business and industry to make bigger and bigger total profits. And the reader who has read my earlier chapter on the coming changes in business and industry will know that I

am not thinking of profits that come from a mere jacking up of prices, but of the bigger and bigger profits that may be made by a greater production per worker, by a better organization of production and distribution to the end that mass manufacturing and mass selling may make possible lower prices and higher wages at one and the same time.

I am not trying to justify the employer who is unwilling to pay as high wages as his industry can stand. Such an employer is an indefensible wage counterfeiter. I am insisting only that incompetent and wasteful management and inefficient labour can make it impossible for an employer to pay adequate wages, however much he may be willing to do it. The starting point, therefore, of any attempt to eliminate counterfeit wages must be in the factory, the shop, and the store.

The problem of counterfeit wages leads us into a triple problem. There are three other things we must achieve before we can keep wages wholly genuine. We must achieve greater efficiency in the production of wealth, greater justice in the distribution of wealth, and greater wisdom in the consumption of wealth. This is a staggeringly big problem. Yes. But we can do our practical best.

To date discussion of the wage problem has been confined pretty closely to a consideration of justice in the distribution of wealth. This is plainly dabbling with results instead of dealing with causes. We might arrive at a mathematically just division of profits—if justice is a matter of mathematics—and still be cursed by a problem of counterfeit wages if we were so inefficient as employers and so indifferent as employees that we did not produce enough wealth, and if we used the wealth we did produce foolishly.

There are, as I have tried to suggest, a hundred and one factors entirely outside business and industry that enter into the undue raising of prices, but we must not forget that what prices are to be is materially affected by the efficiency of production and distribution.

I believe that a time will come when we shall be ashamed of even the highest real wages we have yet paid. Necessity is going to force us into a more scientific organization of business and industry that will mean shorter hours, higher wages, and lower prices—and give us bigger total profits than we have ever known. But I have already gone over that ground in an earlier chapter.

When such a reorganization of industry gets really under way we shall discover that the progressive reduction of prices through a more scientific production and distribution will go far toward relieving the wage tension. There will be less pressure upon workmen to demand increases in wages, and less pressure upon employers to reduce wages.

VI

But all this does not do away with the necessity of our seeing clearly and fighting effectively the many other factors in addition to the wastes of management and of labour, that tend to make prices soar skyward and thereby to force workmen into demanding wage increases solely on the grounds of high prices and not upon the ground of an increasing prosperity of industry.

Nor does it do away with the necessity of our trying to devise a more scientific method of wage adjustment. It would not automatically solve the problem of counterfeit wages if all the businesses and industries were to become efficient enough to pay twice the wages we now pay. It is true that we cannot divide what we have not produced, but after we have produced adequate

wealth we must not leave its distribution merely to the whim or harum-scarum methods of individual employers. Still less should we leave it to the verdict of industrial warfare. The balance-of-power system has proved as tragic and as costly in industry as in world politics.

The adjustment of wages should be determined by methods independent alike of the ill will or the good will of employers. It should rest upon a scientific rather than a personal basis.

Henry Ford has said that "when we try to regulate wages according to the cost of living, we are imitating a dog chasing his tail." Mr. Ford has seen, as clearly as any employer in the world, that both the cost of living and the ability to pay adequate wages are determined by the efficiency of the industry more than by the benevolent impulse of the employer. He is right in his assertion, in so far as he means by it that we should not attempt to regulate wages *solely* on the basis of living costs. This is a true contention both because living costs are determined by the efficiency or inefficiency of industry as well as by many other things, and because the costs of living at any particular time may be based upon a lower stand-

ard of living than a really efficient industry could and should make possible. But I think Mr. Ford stops short in his thinking, in so far as he suggests that we do not need methods and machinery for the continuous adjustment of wages to prices, methods, and machinery that are, as I have said, independent of the purely personal decision of isolated employers.

VII

We must never lose sight of the fact that genuine wages are one of the essentials of successful business, essential to the maintenance of a happy, healthy, loyal, and efficient labour force. If workmen's wages are adequate to provide for the necessities of life and some of its luxuries, to educate their children, to pay for recreations, and to secure them against illness and want in old age, they are freed from the worry that cuts down their efficiency and stimulates unrest. Then, too, if their wages enable them to buy freely, the value of the American market is maintained alike to the profit of the farmer and the manufacturer, of the workman who makes and the merchant who sells the products of factory, farm, and mine.

It will take years to evolve and institute a really

scientific wage system that will as nearly as possible guarantee the continuous reality of wages. Meanwhile, it is important that we business men school ourselves into thinking of wages always in terms of what they will buy rather than in terms of dollars and cents alone. Unless and until business men approach wage matters from this point of view, even a perfect plan for a scientific wage system will remain the private plaything of economic theorists.

It may seem impractical and inadequate to close a discussion of wages in a time of such serious urgency with a mere plea for *thinking* differently about wages. But as Alfred E. Zimmern has well said, "outward changes are of no avail unless men's minds have been prepared beforehand to profit by them. . . . Without a change of outlook all external change is meaningless. But if the inner change has taken place, everything is possible, even the moving of mountains."

If we once begin to think of wages in terms of purchasing power, we shall almost at once get a chance to bring the workers' wages into a more satisfactory relation to the workers' needs and the purchasing power of the workers' dollar.

CHAPTER XII

CAPTAINS OF INDUSTRY VS. CAPTAINS OF FINANCE

I

BEHIND most of the extreme and ill considered revolts of our time there is a grain of truth, some legitimate ground for protest which has too long been ignored by the men whose hands are on the levers of power and authority. This bit of truth, in the hands of reckless doctrinaires, is inflated into a dangerous falsehood and made the inspiration of a radical propaganda which, now and then, flames into actual revolution. Revolutions never spring from pure theory. Widespread discontents are never born of the imagination alone. They may be fed and fanned by designing theorists, they may be harnessed to utterly indefensible programmes by able demagogues, but usually they have their beginning in some legitimate protest.

There are usually three stages in the development of revolutions. The first stage is marked by the

immoral content of the oppressor, by that blind satisfaction with the status quo felt by men who are indifferent to everything save their own comfort. The second is marked by the *moral discontent* of the oppressed, by the legitimate protest of the men upon whom the status quo rests heavily. The third is marked, frequently although not always, by the *immoral discontent* of the men who seek to exploit the legitimate discontent of their time in the exclusive interest of themselves or of their class.

It seems to me that one of the social tragedies of our time lies in the fact that we rarely deal with discontent until it has reached this third stage, until it has entered the field as a clearly formulated and ably organized propaganda, until it has been captured by doctrinaires and demagogues. And in this tragedy we business men must be classed among the chief sinners. We should, if we were really good business men and not mere tradesmen, anticipate and discount most of the unrest of our time. We should, if we really met the challenge of our jobs, forestall most revolutionary movements by rendering it increasingly difficult for their leaders to find a sympathetic audience. We

should remove the menace of immoral discontent by removing the causes of moral discontent. We are directors in the field of economic activity from which most discontents and revolutions arise. It is our business to see to it that in that field there is no soil in which mutiny can take root. And this is not a "social welfare" chore to be undertaken after office hours as evidence of our "public spirit," but one of our primary business responsibilities. If, as business men, we cannot or will not meet this responsibility we deserve to see our leadership in economic activity superseded—*we shall be superseded.*

II

I am not leading up to a suggestion that we business men should align ourselves with all sorts of anti-radical propaganda. It is the easiest thing in the world, a thing demanding little imagination and less intelligence, to wait until the world is rocking with revolution and then to rush hysterically to the support of superficially conceived and essentially futile "anti-bolshevik" propagandas. It is as useless as it is easy to swear at the *results* of radicalism. Our more difficult but fundamental obligation is to remove the *incentives*

to radicalism. It is the cause rather than the effect that should be our chief concern.

We business men pride ourselves upon our ability to think clearly from cause to effect when the financial interests of our businesses are involved. We should be heartily ashamed when we fail to think with equal clarity from cause to effect about the wider social implications of our businesses. We should realize that, in times of threatening unrest and revolutionary agitation, adventures in "professional patriotism" are not a valid substitute for business statesmanship.

The time to defeat a revolution is before it starts. It is shortsighted to wait until a revolution has reached the "terror" stage before we take notice of it. We must deal with it in its "germ" stage. This means that the business man must be more alert than the radical in sensing those legitimate grounds for protest which, as I have suggested, are usually the points of departure for the dangerous activity of the doctrinaire revolutionist. We must, as a simple business duty, deal with the causes of radicalism earlier and more efficiently than the radical leaders do.

It is not, however, a mere opportunism that I am

suggesting. I am not suggesting merely a better way of guarding the bank. I am discussing this challenge that radicalism means to business as one aspect of a larger plea for the introduction of the scientific spirit into the administration of business and industry. I am suggesting that we must parallel the achievements of preventive medicine with the achievements of preventive economics.

III

Let me illustrate what I mean by business men's anticipating revolutions. There is abroad in the world to-day a revolt against the modern business system and against that free individualism which most of us, even when most aware of its sins, believe must always be the dynamo of any truly creative and happy society. This revolt finds its extreme expression in the proposed dictatorship of the proletariat. The tools of the world should belong to the men who use them, say the leaders of this revolt. The creative forces of society should be the controlling forces of society, they contend. They want to rid the world of the practice of paying men for "owning" things, and to organize a society in which men shall be paid only for "doing" things.

They exalt enterprise above ownership. These are the general principles that lie back of the slogans of this revolt. I am not here concerned with the futuristic political schemes that are offered as means of attaining these ends, but only with these simple statements of principle—or catchwords, if you prefer—which the leaders of this revolt have preached to the masses, and with the reasons why the masses were so ripely ready to listen to them and so easily inflamed by them.

Here is a revolt that has reached its third stage, a revolt that is keeping business men awake nights the world over. What, if we are scientifically minded business men, will be our attitude toward it? What could we have done to anticipate and to discount it? Too many of us, I fear, think we have discharged our duty in the matter when we have written an article or made a speech attacking the unsound economics of the revolutionist. We may subject the revolutionist's interpretation of his catchwords to all sorts of valid criticism. We may rightly challenge the notion that the proletarian workman is the only creator of wealth in the economic process. We may rightly protest against the wholesale indictment of the men who own

things. There are brain-workers as well as brawn-workers. We may rightly insist that the men who contribute "the toil of their ideas" to industry are creators of wealth as well as the men who contribute "the toil of their hands." But the point I should like to emphasize is that it is now too late to meet this revolt with mere argument. Fifty years ago we business men should have been dealing with the germ of this revolt, with those legitimate criticisms of our business and social order that were the soil in which this revolt took root. And it does not seem to me that any particular clairvoyancy was needed to see it.

Now I do not mean to suggest that the present revolutionary movement could have been completely prevented by business men alone. Social issues are not as simple as all that. Harmonious social advance is never the fruit of the cleverness of a single group, but the net result of a wise collaboration of statesmen, business men, labour leaders, scientists, educationalists, in short, of all the men who stand in key positions, determining the purpose and administering the power of society. But I do mean to suggest, as one of the most firmly established convictions of my life, that the revolu-

tionists would have had a vastly more difficult time getting a hearing from the masses if, for the last fifty years, we business men of the United States, of England, of Italy, of France, of Germany, and of Russia had been thinking constantly and clearly about some of the neglected issues of business and industry.

By neglected issues of business and industry I mean some of the issues which, despite the fact that they underlie the whole future of our businesses, have been given scant attention because their immediate relation to the year's balance sheet was not obvious. The whole matter of democracy in industry, for instance, is one of the neglected issues with which we did not deal until we were driven to it. With this I dealt at length in another chapter. The relative authority and influence of the administrative and the financial points of view in business and industry is another neglected issue, and one that I may well use to illustrate the contention of this chapter, for I think it is true to say that the slow and, to my mind, often sinister encroachment of the financial upon the administrative point of view in business and industry has given the modern revolutionist one of his best arguments.

IV

It is not by accident that the radical agitator attacks the great financier oftener than he attacks the great administrator. It is because there frequently is, although there should never be, a basic difference between the financial and the administrative approach to the problems of business and industry.

Since illustration always lingers longer in the mind than exposition, let me suggest a hypothetical case, based upon numerous instances that have caught my attention, that will indicate what seems to me to be the frequent antagonism between these two points of view.

X—— is the able and ambitious proprietor of a single restaurant. Not content with his limited activities, he dreams of himself as the initiator and administrator of a great chain of restaurants stretching across the continent. He is animated by a very definite ideal. He purposes to create a chain of restaurants that will sell wholesome food, cooked in sanitary kitchens and served in clean and attractive dining rooms, at the lowest possible prices. He is, let us say, a man who sees the wide social usefulness of such an application of the principles of mass production and mass distribu-

tion, but a man who realizes also that in carrying out such a programme successfully he will be not only a great benefactor but a good business man.

He sets about the realization of his dream. He builds slowly, making each expansion justify itself by patronage won and profits made. He gives the best years of his life to the project. He succeeds. Finally the cheerful fronts of his restaurants may be seen on the streets of most of our cities. His interests stretch far beyond the walls of his restaurants. He has, in his ceaseless endeavour to eliminate every needless expense between producer and consumer, become the owner of great farms and dairy herds that supply his tables. He has, by making wholesome food available at low prices, protected the pocketbooks and preserved the health of a vast army of low- and medium-salaried folk. He has become a very wealthy man by performing a needed national service. A good social policy has once more proved a good business policy.

Now all through this adventure, stretching over many years, X—— has brought to the administration of his chain of restaurants a genuinely creative enthusiasm, the spirit of the good craftsman, the spirit, if I may say it, of the artist. The chain of

restaurants has been his medium of self-expression as truly as the theatre was Shakespeare's.

He has, by selling wholesome food to the largest possible number at the lowest possible price, rendered his public service to his generation as truly as Andrew Carnegie rendered a public service to his generation by dotting the country with public libraries. The spectacular success of his enterprise, the business man must not forget, has been due to the fact that X—— always thought from service to profits, not from profits to service. His restaurants have become a national institution supported by an enthusiastic and loyal clientèle. The "good will" value of his business is enormous.

But X—— is getting old or, at least, a little tired of the responsibility of administration. At this critical moment—and the tiredness of the creative administrator is always a critical moment in a great business—he is approached by a syndicate of financiers who offer him an extravagantly large amount for his business. They may ease his exit by making him an officer of the reorganized enterprise, but, when the transaction is closed, X—— is no longer the dominating spirit of the business.

We may now see what happens when the finan-

cial point of view succeeds the administrative point of view in the direction of a business that touches intimately the welfare of a great section of the consuming public. The financier-owners of the chain of restaurants were attracted to the undertaking by the possibility of quick and large profits that might be made from a vigorous exploitation of the reputation and good will built up over the years by the dreams and deeds of X——. The chain of restaurants is not the “life work” of the financier-owners as it has been of X——. It is only one of a long list of interests. Now what happens as a result of this change in ownership?

A programme of expansion is promptly set under way. The links in the chain of restaurants are multiplied rapidly month by month. The old ideals of simplicity and low prices figure less and less in the business. The dividends for the money paid for the good will of the business and the bankers’ very large “organizing profits” must be provided. The reputation and good will won by the administrative point of view that thought from service to profits are capitalized and exploited by the financial point of view that thinks from profits to service. Here and there certain restaurants in

the chain are made more fancy and conventional, and the added overhead charge involved means a marked advance in prices. All along the chain prices are advanced slightly from time to time. This means, in the aggregate, a handsome addition to the profits of the enterprise. The new owners can carry on this policy of exploitation for a number of years before it begins to alienate the clientèle built up by X——, because the original service was so much above and the prices were so much below the service and prices of the average restaurant that there is a large margin of safety for change. A long stretch of time may intervene before the public as a whole loses the confidence that was slowly won by X——. And in that interval huge profits are extracted from the enterprise.

But ultimately the ideal of the originator is lost, the big chain of restaurants ceases to be a social asset and becomes simply a collection of conventional restaurants. The medium-salaried clerk who in the old days could get a decent meal for, say, forty cents, now finds that a really satisfactory dinner costs him perhaps a dollar. Necessity forces him to turn elsewhere, and his going signals the beginning of the disintegration of the real

usefulness of the business. The financial point of view has killed the goose that laid the golden egg, and the public must empty its pocketbook in high-priced restaurants or ruin its stomach with shoddy food while it waits for another X—— to appear on the scene.

I could multiply such hypothetical cases indefinitely or compile an imposing list of actual instances from the business history of our country. I could bring numerous instances to show how the substitution of the banking for the administrative point of view affects good relations between employer and employees, and seriously hinders social progress. But since it is not my purpose either to write a text book on economics or to try my hand at muckraking, but simply to suggest the point of view in business that is, in my judgment, both commercially and socially sound, this single illustration will amply serve to point my contention.

v

It is clear beyond need of explanation that most of the sins for which the modern revolutionist indict our social system are sins of the financial point of view, not of the administrative

point of view. By this indictment of the financial point of view, I do not mean a wholesale indictment of the banking fraternity. The financial point of view, one regrets to say, is too often found in the board of directors of business and industrial concerns no less than in the board of directors of banks. Our whole business philosophy needs an overhauling to the end that the creative spirit of the engineer may everywhere dominate our stores, our shops, our offices, our factories, and our banks. It is because the spirit of the engineer has only hovered on the outskirts of our business and finance that we are to-day face to face with a frank revolt against the whole modern business system. It may seem that I am wandering from economics into evangelism, but my quarrel with the financial point of view in business is not only that it courts revolt but that it is, in the long run, bad business. The engineer is a better patron saint for business than the sort of banker who thinks only in dividends.

My contention, stated earlier in this book, that the best social policy is the best business policy is as sound for the banker as for the shopkeeper, and some of our best bankers are already seeing this. The task of the modern banker is not the simple

and soulless task of the ancient money lender. He needs a wider equipment than a mere mastery of interest tables. He is, if I may steal a word from the arts, the impresario of the productive abilities of society. In a very real sense he controls the team-work of mankind. Through the instrumentality of credit he may combine the skill and knowledge of men for creative undertakings. The administration of credit is one of the most important social powers in modern society. Credit is the life-blood of the business system which feeds and clothes and shelters mankind, and it is, therefore, a species of social treason not to regard its administration as a public responsibility and a creative opportunity. The real rulers of modern society are not the men who own the most, but the men who exercise the most control over enterprise, namely, the men who administer the world's money.

It is vital to the future of society, therefore, that the financial point of view become less and less exploitative and more and more creative. As an astute critic of our social system has said, "an adequate study of the modern political organ that has grown out of the ancient business of exchanging and storing money must soon be undertaken,"

for the fact is that the administration of credit has become one of the greatest forces of social control in modern times.

To go back to our illustration, one of the basic problems of our time is to bring the creative spirit of X—— into the syndicate of financiers that buy his restaurants. It is, we must admit, harder for the financier than for the administrator to maintain a sound social sense and act always from the motives of the engineer rather than the motives of the money lender. It is difficult for the financier to feel the thrill of creative effort because he is one step removed from the actual creative process. The engineer *sees* his vast reclamation project realized under his hands. The banker who financed the project meanwhile is at his desk planning still other projects on paper. The shopkeeper presides over a little “civilization” all his own as he goes out and in among his hundred or thousand employees and watches the flow of customers through his store. It is all very human and very engaging to him. But the banker who extends to him the credit that makes his business possible must meanwhile keep to the business of dollars. The creative thrill that the banker feels is at best a thrill at second hand.

Then, too, the public applauds the engineer and the administrator oftener than it praises the banker who makes their achievements possible. The banker may furnish the credit for creative effort, but he rarely gets the credit for creative results. The business of rightly administering our applause is a thing we Americans have never thought out.

VI

But there are too many inviting by-paths to this discussion. I hope I have succeeded in what I set out to do, namely, to suggest that we business men might anticipate most of the discontent and forestall most of the revolutions of our time if we were our own severest critics and gave as much thought to the social implications of our business as we give to its purely financial aspects. The financial point of view in business seemed to me one of the best illustrations of the sort of fundamental questions we business men must think through if we are to keep the modern business system secure against social assault. It seems to me one of the rusted links in the business armour. If I have done nothing more than to call attention to it, I am satisfied.

CHAPTER XIII

THE BUSINESS MAN'S PUBLIC WORK

I

THE sort of business philosophy I have been suggesting as essential to the future—a philosophy that makes successful business both the inspiration and instrument of social progress—will inevitably lead many of us to a pretty thorough revision of our notion of the business man's "public work."

The traditional idea of a business man's public service is too well known to require more than a simple restatement. The business man's "public work" is usually thought of as something he does outside of his business or after office hours or after retirement. The conventional thing is for the business man to spend the first three quarters of his life in active business acquiring money, and the last quarter giving his money away to all sorts of good causes and serving on all sorts of uplift committees.

I have no desire to undertake a long disquisition upon the different point of view that I think the business man of the future will have on his "public work." My notion of what it will be has been so interwoven with all that I have written in this book that a simple statement of my belief is all that is needed here.

I have spent a great deal of time and money and energy in what is commonly called "public work." In addition to my work inside my own business, I have spent an untold amount of energy in organizations dealing with local, national, and international affairs. I have done this, not because I hoped to become a national or international figure, but simply because the store of which I am president is located in the city of Boston, the city of Boston is located in New England, New England is part of the United States, and the United States is bound by innumerable ties to the rest of the world. Now, this isn't the sheer sophistry that it may sound. It rests upon a very clear notion I have always had of the business man's relation to his so-called "public work."

I did not spend most of the years of my life inside the four walls of a store, achieve a certain financial

independence, and then, in a spirit of recreation or philanthropy, begin looking about for "good causes" on which I might spend time and money. Every public activity in which I have taken part has first captured my interest because it had some direct or indirect, some local or long-distance relation to the problems I was wrestling with in the store of which I am an officer.

In trying to solve the problems of our own business I soon found that I had to help in the solution of the problems of the city of Boston. Boston was the environment of our store, the soil in which our business had to take root, a soil the thinness or fertility of which would in the end determine the success or failure of the business. As a good business man I could not afford to be indifferent to the problems of my city which affected the prosperity, the health, and the contentment of both our employees and our customers. But I soon found that the problems of Boston could not be solved apart from the problems of New England. And one could not long deal with New England's problems of transportation and freight rates, for instance, without seeing that they were part of a national problem. There is very little

self-determination in the solution of any sectional problem. A bad national policy can nullify the most far-sighted local policy. But the moment one begins dabbling in national problems he sees that there are few national interests that do not root in those international economic and political relations which knit the modern world together into a neighbourhood. The reason that so many big business men and bankers look favourably upon the League of Nations is not that the international bankers see a way to save their skins, but simply that a man cannot think straight in business without seeing the complete and utter interdependence of the modern world.

And so, not in following a theory, but in following business necessity, one is forced to see that clear lines of cause and effect run unbroken from the counters of a department store to the congress of nations. And once a business man undertakes to build his business upon a firmer foundation than his own cleverness in buying low and selling high, he is forced into an active interest in this whole sequence of public problems. This is, I suppose, what John Singer Sargent had in mind when he spoke of "relating the coal scuttle to the universe."

II

This experience of mine raises, I am sure, an important question that has never, to my knowledge, been clearly and adequately answered: What should guide the business man in the choice and conduct of his "public work," the work he does outside his own immediate business?

The conventional answer is, I am convinced, fundamentally wrong. Too often we business men keep our business and our "public work" in two air-tight compartments. Our "public work" does not grow out of our business; it is arbitrarily tacked on. Instead of looking upon business itself as a vast public service and spending our time and money in efforts to bring about those social, political, and economic policies that will best enable our business to fill a public need as well as our pockets, we are likely to look upon our business as an essentially private affair, an adventure in pure acquisition, and upon our "public work" as a series of unrelated benevolent undertakings which we should become interested in after we have achieved success and piled up a surplus. Too often we think of "public work" as simply giving money to

something. But the finest "public work" is, in my judgment, the sort into which our own business planning leads us, and to which we give ourselves even more than we give our money.

Two things are clear. The first is that business in order to be good business must itself be conducted as a public service. The second is that the finest possible public service of business men is that rendered in and through the private businesses of the world.

III

The conventional "public work" of the business man is often bad for the very cause it supports. When it consists only in throwing money at a cause, it often pauperizes rather than promotes it. And it is certainly bad for business progress, because it so often diverts men's energies from business at the very moment when they are at the height of their careers and should be of the greatest service in the progressive improvement of business policy.

I believe that it is a distinct public loss for men who have kept their minds young to retire from the councils of business at the very time when they

have achieved success and financial independence. This is the time when they should take advantage of their financial independence to reassess all the basic policies of their business which they had to settle earlier in their careers under the influence of urgent financial need and the pressure of conservative business opinion.

When a man merges his business and his "public work" into one coherent life programme, his business will be more serviceable and his service will be more businesslike. I have spoken elsewhere in this book of the fact that Henry Ford seems to have made incredible mistakes in judgment when he has stepped outside his business and undertaken "public work." This is not because he has not tackled important public problems. The prevention of war is clearly a problem worthy of the best we have in us. The trouble has been that Mr. Ford has not approached his "public work" with his own business and its needs as his point of departure. When he attacked war, his approach was the sentimental rather than the scientific. Mr. Ford is yearly rendering highly valuable public service, but it is in and through his business, not in his occasional flyer into so-called "public

work.” I do not mean that a business man should stay inside the four walls of his own establishment, never serving in behalf of public causes. But I am sure that nine tenths of the business man’s best public service can be rendered by virtue of the way he conducts his business, and even the one tenth of his time spent in outside activities should be dictated by the things into which the political, social, and economic implications of his own business lead him.

A lot more thought needs to be put into this matter of the business man’s “public work.” It is bad for business and bad for social progress to leave it to the dictation of passing whim or nebulous sentiment. During the next ten or twenty years general political and social forces are going to play a very decisive part in the determination of business success or failure. Therefore it is not only in the interest of the public welfare but in the interest of good business for the business man to put the straightest of straight thinking into his “public work.”

CHAPTER XIV

THE LIBERAL BUSINESS MAN UNDER FIRE

I

ON ALMOST every page of this book I have emphasized, directly or by implication, the importance of business liberalism in business leadership. I dislike to use the word "liberalism" in this connection. It is a rather battered and weather-beaten word; it has come to have, in many minds, all sorts of implications that one would never associate with effective business leadership; it has been captured by the armchair strategists and irresponsible doctrinaires; it has become the storm centre of a motley array of antagonisms and prejudices. But it is, after all, a good word with worthy traditions. That it has now and then fallen into bad company is no justification for throwing it away.

I do not know of a better word for describing the sort of business man who, broadly speaking, is the opposite of the reactionary, the sort of business

man who faces fresh problems with a fresh mind, who is more interested in creating a better order of things than in defending the existing order of things, who realizes that a private business is a public trust, and who has greater reverence for scientific method than for the traditions and majority opinion of his class. It is this sort of business man who will, as I see it, be best able to meet the challenge of the difficult time ahead; it is this sort of business man who will make the big business successes of the next ten or twenty years.

But, strange to say, despite the fact that liberal business policies will underlie large business success, the liberal business man will find that he will have to pay a very definite price for his liberalism. The business man who insists upon approaching the problems of business and industry in a scientific and liberal spirit sooner or later brings down upon his head the criticism of important groups of his fellow business men. There is no use scouting the fact that the liberal business man is still a somewhat lonely figure in the councils of American business and industrial leadership. Invariably a few ultra-conservative business men wage a propaganda against the business man who attempts to acceler-

ate the pace of progress, especially if he attempts to speed up that democratization of industry upon which social peace and efficiency must increasingly depend.

This opposition is the last thing we should expect from men whose material success, one would suppose, depends upon their being as ready to scrap an outworn idea as to discard an outworn machine. But the fact remains! And this "loneliness of the liberal" in business circles is a thing that must come in for careful consideration in any comprehensive study of the factors that will make for the arrest or advancement of both successful business and social progress during the next ten or twenty years.

The attitude which the average business man takes toward one of his fellows who represents the sort of liberalism that comes from a scientific study of business and social problems would furnish the clue for an interesting study. I wish that some one of our distinguished psychologists would give us a realistic study of how successful business men think and act. Such a study would, of course, have to begin with an examination of how successful business men think and act inside their own

businesses, but this examination would be only the starting point for a much-needed study of how successful business men think and act when they work in the committees or control the policies of local, state, and national organizations dealing with issues of large social significance.

If the business men who were the subjects of such a study had conceived business in a broadly scientific way, it would be found that the qualities that had made them successful in business were the very qualities that would make them a creative and liberalizing influence in organizations dealing with matters of wide social concern to city, state, and nation. But I fear that such a study would reveal the fact that, in many instances, business success had been interpreted so thoroughly in terms of immediate profits that the qualities of mind which had brought the conventional success to the business men were qualities that later interfered with their public service.

We should expect that the man who had been successful in business would bring the spirit of the impartial investigator, the inventor, the innovator, the pioneer to any issue in any field. By all the laws of logic, the men who have been most success-

ful in business should be the most progressive in matters outside their business. In the years of change and challenge that lie just ahead of us I think this will be true, but to date the contrary has been true in a distressingly large number of instances. Certainly I cannot be accused of treason to my class for setting down the obvious fact that many conspicuously successful business men display an astounding lack of vision in the larger matters of social and industrial policy that lie outside their immediate businesses.

II

But it is not the merely negative conservatism of certain successful business men that I have in mind just now. I am thinking of the successful business men who take their conservatism very seriously when they serve upon the directorates of local, state, and national organizations of business men and other social groups. I am thinking of the men who suspect any one of their associates whose thinking has gone at all in advance of their own of dangerous radicalism. Over and over again, in organizations of business men, I have seen groups of entirely honest and eminently successful

men turn against and label as dangerous one of their fellows who was only reasonably progressive. I have seen such men display an utter inability to distinguish between sane social advance and revolutionary socialism. I think that one of the books we business men should keep always on our desks is a book of synonyms. It might help us to avoid branding straight thinking as radicalism.

I have seen groups of highly successful business men honestly oppose the most obviously elementary steps toward conservative social betterment. For instance, it is obvious that the only hope of arriving at a constructive programme of industrial relations is through coöperation, through the getting together of the leaders of the employing group and the leaders of the employed group. It is in the council chamber, not on the battlefield, that we shall resolve the conflicts of industry. Industrial peace will not come as the by-product of a fight, but as the result of industrial statesmanship. This is the veriest primer logic. And yet the leaders of many of our national organizations of business men have steadfastly refused to sit down in conference with the leaders of organized labour.

The business men in these organizations who

have insisted upon such a rapprochement have been in the minority. And by their insistence upon this essentially conservative and business-like procedure they have succeeded only in courting the suspicion of their associates. They have been rewarded for their pains with a reputation for radicalism that hampers them for further influence in business circles.

The conservative business man apparently does not realize that if he were wholly successful in his opposition to his more liberal associates there would be left no method of progress except revolution. As it is, his partially successful opposition slows down progress unnecessarily. If my contention—that the social progress of the future will be achieved through the development rather than the destruction of the business system—is sound, we must somehow succeed in reducing if not removing this opposition to the liberal business man which to-day characterizes the policy of so many business men's organizations.

III

As a first step we must make a real study of the motives and technic of both the conservative and the liberal business man. Maybe both are to

blame for this socially dangerous schism in business councils. This chapter does not, in any sense, pretend to the basic study we need. I want only to put down a few conclusions that I have reached as a result of a good many years spent in the inner councils of business and in local, national, and international organizations of business men dealing with those larger policies of business and industry which root in and react upon social and political conditions. It may be that these conclusions will prompt someone to make the exhaustive study of the business mind which is greatly needed.

Now, it is the easiest thing in the world to write a fervent indictment of the static, tradition-bound, conservative mind. Hardly a week passes without an emotional broadside fired from some quarter at the conservative. Even if I were inclined to do it, it would be wasteful duplication for me to repeat this performance. Probably the most important study of the conservative mind that has been made in the present generation is to be found in James Harvey Robinson's "The Mind In the Making." It is not the arm-chair-and-carpet-slippers sort of book that our scholars too often give us. It is an intensely practical book. It explains to the

conservative why he is conservative. And it is this sort of explanation rather than emotional denunciation that will help us to clear up the misunderstanding that lies back of the opposition that the liberal business man encounters among his associates. We business men, if we are to survive and succeed in the future, will have to take to heart Mr. Robinson's appeal for the creation of "an unprecedented attitude of mind to cope with unprecedented conditions and to utilize unprecedented knowledge." But, as I have said, I am not undertaking here the basic study which I suggest as urgently needed. I want, however, to make two observations about the fact and effectiveness of the conservatism of successful business men.

One of the reasons, I am sure, why many successful business men are predisposed to a conservative if not reactionary point of view is that they do not, as a rule, have enough social and recreational contacts with men of other classes, other interests, and other points of view. Even inside his business, the average business man trains pretty consistently with his own crowd, that is, with the administrative, the controlling, the directing group. He maintains too rigidly the conven-

tional relation of the "boss" to the other groups in his business. And outside office hours, the average business man is too much given to spending his time in the hunting lodge, on the golf links, or in the metropolitan club, where, taken by and large, he meets only the men who share his point of view. This means that the average business man is carefully insulated from that social contact, that give and take of discussion with men of different social rank, different race, and different points of view, which is so necessary in checking up, correcting, and humanizing one's outlook upon life and its issues. The mental point of view that results from training too much with one's own class accounts, I am sure, for the fact of much business conservatism.

And one of the reasons why conservative business men usually succeed in their opposition to their more liberal associates is because the cause of conservatism is invariably better organized than the cause of liberalism. In the average business men's organization it will be found that the men who approach the problems of business and labour from the stock-market point of view excel their more liberal associates in the organization of a staff of secretaries, experts, and publicity men who help

them dramatize and push their policy through the councils of the organization. These staffs of secretaries, experts, and publicity men are maintained as part of their business organizations by some of the abler conservative business men. These staffs not only function at the time of great national meetings but influence the public mind ad interim. The plain fact is that our conservative business men employ more machinery and more money for expressing and maintaining their point of view than our liberal business men employ and they regard such expenditure as legitimate business expense.

But I should like to bring this discussion down to the individual business man and away from problems of organization and expenditure. From a lifetime spent in dealing with both conservative and liberal business men inside and outside business I am able to see at least six reasons why the liberal business man faces such persistent opposition at the hands of his fellows. Let me state them simply, without unduly extending this chapter.

IV

First, it lies in the very nature of things that the man whose ideas are a little in advance of the ideas

of his associates will sooner or later find himself opposed and, if possible set aside. As men grow older they are likely to grow more conservative. By the time they have achieved success they are likely to have lost some of their eager appetite for adventure and experiment. The liberal in business insists upon continuing experimentation, but he is likely to find that the majority of his associates who were his enthusiastic helpers in the working out of his first ventures are content with the measure of their first great success and see no use in disturbing what is already a success by trying still other experiments. The story of the average business man's career is the story of a settling down, beginning with the willingness to experiment which resulted in his first success, and ending with a self-satisfied and routine administration of established methods. Now, it is inevitable that any business man who is always looking ahead for improved methods and broader policies is, by this very effort, going to make himself unpopular with the men who are satisfied with established things, especially if the established things are profitable.

This opposition to the liberal in business has

nothing to do with the goodness or badness of his opponents. If his training has made him conservative, a "good" man is just as likely as a "bad" man to be the suspicious critic and determined opponent of the business man who aligns himself with new forces and new movements.

It is a problem in human nature that we are facing. As men grow older they are disposed to cling to the esteem and friendship of their fellows and shrink from any nonconformity that might jeopardize their reputations for good form in thought and action. As their youthful enthusiasms cool they have less and less desire to crusade for causes that will mature after they are dead, so they instinctively feel that their liberal associate and his ideas are to be discouraged, and as far as they can they rob him of any power to disturb them in their serenity and orderly procedure.

But when I speak of the liberal business man I am not thinking of the liberalism which has its roots only in youthful bravado, youthful willingness to take risks. That sort of liberalism, I suppose, cannot be expected of men as they grow older. I am thinking of a business liberalism that comes

not from youthful enthusiasm but from straight thinking. I am thinking of the liberal business man who fights for progressive policies in business and in industry, not because they afford an opportunity for battle and adventure, but because they are essential to the permanently profitable future of business as well as to sound social advance. We can, perhaps, forgive the established business man for feeling a little irritation at the sometimes intolerant and dogmatic liberalism of inexperienced youth, but what is there in the liberalism of straight thinking that evokes such opposition? This leads me to the observations I want particularly to make. The opposition to the liberal business man is not due entirely to the conservatism of conservative men. It is due partly to personal and psychological reasons to be found in the liberal business man himself. The last five of the six reasons I set out to state have to do with these personal aspects of the problem.

v

Second, the liberal business man has arrived at his liberal conception of business policies because he thinks more scientifically than do his more conserva-

tive associates. He reasons more accurately from cause to effect. He succeeds more nearly than they in taking into account all the factors, human and material, that are involved in business administration. The scope and the scientific quality of his thinking enable him to anticipate conditions and to sense the policies that the business of the future will demand in a way that the average conservative and conventional business man does not and cannot. This means that, time and again, the liberal business man insists upon the urgent necessity of policies that his conservative associates have not yet visualized. His conclusions rest upon a hundred and one factors that the conventional business mind does not take into account. The up-shot of the matter is that very often a policy that seems the most elementary common sense to the liberal business man is looked upon as the erratic theorizing of an impractical idealist by his conservative associates. The liberal business man's habit of prophecy is, then, one of the reasons why he so often gains a reputation for impractical idealism and calls out the opposition of his fellows. As someone has suggested, to see what is ignored by all is a fairly sure way to be ignored by all.

VI

Third, just because the liberal business man sees as imperative things that his conservative associates do not see at all, he often finds that his persistent fight for his policies is interpreted as obstinacy. They cannot understand his irritating insistence, in season and out of season, upon policies that seem to them, at best, only interesting theories. They are not mere theories to the liberal business man; they are inescapable deductions from facts that have been overlooked by the conservatives. He knows their importance to the business progress of the future, and a sense of obligation prompts him to wage an unceasing fight for their adoption. But what is, to him, a sense of obligation is interpreted by his associates as bullish obstinacy.

VII

Fourth, another thing that contributes to the unpopularity of the liberal in business is the normal impatience of the liberal mind. The very fact that a man has broken through the conservatism that a business career tends to induce implies a creative quality in his mind. And the man with a

creative mind is likely to be impatient with the slower mental processes of his more conservative associates. If he does not keep constantly in mind the fact that the success of his policies is absolutely dependent upon the coöperation of his fellow business men, he is likely to betray his impatience in a manner that will hasten and intensify the opposition that his policies would normally stir up. If there is any man in the world upon whom the obligation of tolerance and diplomacy rests heavily it is the liberal in business—and there is no man for whom it is harder.

VIII

Fifth, the liberal business man is, in many instances, largely responsible for his own defeat because he is singularly open to the temptation to neglect the necessary advance work for his ideas among his associates. He is likely to trust too much to the intrinsic rightness of his ideas for their success. He is likely to overlook the necessity of undergoing the intolerable fatigue of persuasion. He is likely to thrust a new idea upon the attention of his associates with no previous explanation, and be ignored or outvoted because "safety first"

is the rule that governs most people and because most of his associates are probably satisfied for the time with the success already achieved. As I have already said, the liberal business man is particularly susceptible to the two sins that he, of all men, should avoid—the sins of an intolerant spirit and an autocratic method. The liberal business man is likely to be intolerant because he cannot understand why the thing that has struck him instantly is not equally clear to the other fellow.

Now, the liberal business man must realize that he can work out his ideals only through human beings. He must realize that the first business of reform is to succeed. He is a democrat, and he must remember that the first law of democracy is that the leader agrees to go only as fast as he can carry his associates with him. It may be that truth crushed to earth will rise again, but it is the business of the liberal to see that truth is not crushed to earth in the first place. And this means that the liberal business man must be a patient teacher and good lobbyist. He cannot succeed by autocratic insistence upon his ideas.

IX

Sixth, the constant opposition that the liberal business man faces often forces him into an excessive concentration upon his ideals which makes him forget the normal courtesies and amenities of human relations, thereby confirming his opponents in their opposition. After all, there is no need and no excuse for sacrificing all of the things that make a man a congenial companion. You cannot imagine yourself getting chummy with Savonarola. I suppose the progress of the race depends upon the occasional ministry of the man who forgets the amiabilities of life in his fanatic concentration upon his ideals. But most of the wholesome and progressive work of the world must be done by the congenial coöperation of men who do not get on each other's nerves. The liberal business man must, therefore, avoid an excessive concentration upon his particular ideas that would make him an undesirable companion for conservatives, either on a fishing trip or in the committee room.

I do not want to seem to dismiss the subject of this chapter with a discussion of the art of being an agreeable dinner companion, but I do want to

emphasize the fact that the liberal business man is obligated to see to it that his personality and his methods do not unnecessarily add to the normal opposition that liberalism always encounters. There are no general policies or adventures in organized effort that can solve this problem. It is a personal problem that the individual liberal in business must solve for himself.

X

I have, however, two suggestions regarding organized efforts that might clear the road of business and social progress a little. The first has to do with reducing the conservatism of the conservative; the second has to do with making the liberalism of the liberal a little more effective.

I said earlier in this chapter that one of the reasons why many successful business men are predisposed to a conservative if not reactionary point of view is that they do not as a rule have enough social and recreational contacts with men of other classes, other interests, and other points of view. Now, I do not believe that the average business man is wholly to blame for his suicidal exclusiveness. As a people, we have given very little

thought to devising ways and means for bringing all classes and all types of minds of our communities into contact. Men are not going to visit across the frontiers that separate social classes and divergent points of view unless special arrangements are made for such intercourse. It may be very narrowing, but birds of a feather do flock together. Now, I suggest that it would be invaluable if we could have in every community one club at least which aimed not at uniformity but at diversity in its membership, a club that afforded a common meeting ground for radical and conservative, for men of all social classes and of all races. Such a club, a club that would be a club of clubs, with a mass membership and low dues, could be a sort of social and intellectual melting pot for the community. This is the principle that underlay the organization and accounts for the success of the City Club of Boston, which has a membership of about seven thousand. But that is another story for another time. I am concerned here only to suggest that we should provide machinery for the sort of social mixing that will reduce the extreme cocksureness of conservatives as well as the intolerance of the radical.

Again, I said earlier in this chapter that very often the conservative defeats the liberal because he employs better machinery and more money in support of his point of view. Now, I am aware of the sinister implications of propaganda by organized groups, but I submit that if the principles advanced effectively by conservative groups are too narrow to embrace the general public interest, they must, in the public interest, be opposed by liberal groups. If the liberal minority among business men are to counter the activity of their more numerous conservative associates, they must duplicate the machinery used by the conservative majority. To do this liberal business men must have equally effective staffs of secretaries, experts, and publicity men, and must have access to equally adequate funds. Unfortunately funds for the promotion of liberalism are difficult to obtain, for the general public does not see the need of such elaborate and carefully thought out effort as clearly as the liberal business man sees it. As a rule the public expects miracles to happen for the right. The liberal business man has learned from business experience that the right cannot depend simply upon its rightness for success. He knows that sound business

and social progress can be achieved only by virtue of organized effort as carefully planned and as adequately financed as the organized effort of the conservative business groups. A clear recognition, then, that business liberalism must fight business conservatism upon its own ground and with its own methods is important.

The "loneliness of the liberal" in business circles must be carefully considered in any comprehensive study of the factors that will determine the arrest or the advancement of successful business and social progress during the next ten or twenty years.

THE END

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